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SEC Registration Number

G L O B A L F E R R O N I C K E L H O L D I N G S I N C

f o r m e r l y :

S O U T H E A S T A S I A C E M E N T H O L D I N G S

I N C

(Company's Full Name)

P E N T H O U S E P L A T I N U M T O W E R A S E A N

A V E N U E C O R F U E N T E S S T A S E A N A

P A R A Ñ A Q U E C I T Y

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

Atty. Noel Lazaro

(Contact Person)

(632) 85118229

(Company Telephone Number)

Month Day

(Fiscal Year)

2 0 - I S

(Form Type)

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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Global Ferronickel Holdings, Inc.

Notice of Annual Meeting of Stockholders

You are notified that the Annual Meeting of the Stockholders of GLOBAL FERRONICKEL HOLDINGS, INC. (the “Company”) shall be held on Wednesday, June 28, 2023, 2:00 p.m. via webcast, to consider the following:

AGENDA

1. Call to Order;
2. Certification of Notice and the Existence of Quorum;
3. Approval of the Minutes of the Previous Annual Stockholders’ Meeting held on June 29, 2022;
4. Annual Report and Approval of the Audited Financial Statements as of December 31, 2022;
5. Election of Directors;
6. Ratification of acts of the Board of Directors and proceedings of the Board of Directors, Board Committees and Management
7. Other Matters; and
8. Adjournment.

The Company has, in accordance with the By-Laws, fixed the close of business on June 1, 2023 as the record date for the determination of the stockholders entitled to notice of and to vote at such meeting and on any adjournment thereof (“Stockholders of Record”).

In the light of the COVID-19 pandemic and to ensure the welfare and safety of our stockholders, the meeting will be conducted virtually.

Stockholders of Record may attend or participate via proxy, remote communication and vote in absentia. Stockholders are encouraged to participate in the meeting. Notice to attend the meeting, supporting documents, or accomplished ballot form or proxy forms may be sent to the Office of the Corporate Secretary at asm2023registration@gfni.com.ph or via courier delivery at Penthouse Platinum Tower, Asean Avenue cor. Fuentes St., Aseana, Parañaque City on or before June 19, 2023 . The detailed registration and voting procedures may be accessed at <http://www.gfni.com.ph>.

Stockholders who have successfully registered may cast their votes and will be provided access to the live streaming of the meeting. For complete information on the ASM, please visit <http://www.gfni.com.ph>.

The Definitive Information Statement along with Notice and other information related to the meeting can be accessed at <http://www.gfni.com.ph> and the PSE Edge portal.

City of Parañaque, Metro Manila, May 19, 2023.

ATTY. EVEART GRACE POMARIN-CLARO
Corporate Secretary



Global Ferronickel Holdings, Inc.

**Annual Stockholders' meeting
June 28, 2023**

OFFICIAL VOTING BALLOT

The undersigned stockholder of Global Ferronickel Holdings, Inc. vote as follows:

Instruction: You may indicate your vote by marking the same with an "√" or "X" to cast a vote for all the number of shares held or you may indicate the number of shares you wish to cast under the vote taken.

Agenda Item No.	RESOLUTION	VOTE		
		For	Against	Abstain
3	Approval of the Minutes of the Previous Annual Stockholders' Meeting held on June 29, 2022			
4	Annual Report and Approval of the Audited Financial Statements as of December 31, 2022			
5	Election of Directors			
	(1) Joseph C. Sy			
	(2) Dante R. Bravo			
	(3) Gu Zhi Fang			
	(4) Dennis Allan Ang			
	(5) Mary Belle D. Bituin			
	(6) Francis C. Chua			
	(7) Jennifer Y. Cong			
	(8) Noel B. Lazaro			
	(9) Edgardo G. Lacson (Independent Director)			
	(10) Sergio R. Ortiz-Luis, Jr. (Independent Director)			
6	Ratification of acts of the Board of Directors and proceedings of the Board of Directors, Board Committees and Management			
7	Appointment of SGV as external auditor			

Number of Shares Held:	Signature of Stockholder or Authorized Signatory:
Date:	Printed Name of Stockholder:

- To be valid, digital or scanned copy of this proxy must be submitted on or before June 16, 2023 by email to asm2023@gfni.com.ph or by courier to Penthouse Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City, Metro Manila to the attention of the Office of corporate Secretary.
- When properly executed, this proxy will be voted in the manner directed above by the stockholder. If no direction is made, this proxy will be voted for the election of all nominees and for the approval of all the matters stated above and for such matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.
- A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised, by email to asm2023@gfni.com.ph or by courier to Penthouse Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City, Metro Manila to the attention of the Office of corporate Secretary. A proxy is also considered revoked if the stockholder registers for voting via remote communications or in absentia.
- Notarization of this proxy is not required.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter
Global Ferronickel Holdings, Inc.
3. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
4. SEC Identification Number: **ASO94-003992**
5. BIR Tax Identification Code: **003-871-592**
6. Address of Principal Office:
Penthouse, Platinum Tower, Asean Avenue cor. Fuentes St., Aseana, Parañaque City, Metro Manila, Philippines
7. Registrant's telephone number, including area code: (632) 8519-7888
8. Date, time and place of the meeting of security holders:
Date: June 28, 2023, Wednesday
Time: 02:00 p.m.
Place/Venue: Via videoconference/livestream from Penthouse, Platinum Tower, Asean Avenue cor. Fuentes St., Aseana, Parañaque City
Registered stockholders will be provided a meeting ID, password and link to the zoom meeting through their registered email addresses
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 7, 2023**
10. Securities registered under Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on the number of shares and amount of debt is applicable only to corporate registrants).

Title of Each Class	<u>Number of Shares of Common Stock</u> <u>Outstanding</u> or Amount of Debt Outstanding
Common Shares	5,241,683,687 shares

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange	
Common Shares	6,072,357,151 shares

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders (“Annual Stockholders’ Meeting”)

Date of Meeting: June 28, 2023, Wednesday
Time of Meeting: 02:00 p.m.
Place/Venue of Meeting: Videoconference/livestream from Penthouse, Platinum Tower, Asean Avenue cor. Fuentes St., Aseana, Parañaque City, Metro Manila

The meeting ID, password and link to the zoom meeting will be provided to registered stockholders via their registered emails.

For more ASM details, please visit <http://www.gfni.com.ph/investor-relations/annual-stockholders-meeting/>

Registrant’s Mailing Address: **Penthouse, Platinum Tower
Asean Avenue cor. Fuentes St.
Aseana, Parañaque City, Metro Manila, Philippines**

The approximate date on which the information statement is first to be sent or given to the security holder is **June 8, 2023**.

Dissenters' Right of Appraisal

A stockholder of the Company may exercise his appraisal right against certain corporate matters or actions and in the manner provided in Title X of the Revised Corporation Code as follows:

- a. A stockholder will be entitled to exercise his appraisal right in case any of the following matters or actions occurs:
 - i. In case of any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or any class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of the Company’s corporate existence;
 - ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
 - iii. In case of merger or consolidation of the Company with another corporation; and
 - iv. In case of investment of corporate funds for any purpose other than the primary purpose of the Company.
- b. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right;
- c. The dissenting stockholder shall make a written demand on the Company for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. The

failure of the stockholder to make the demand within such period shall be deemed a waiver of his appraisal right;

- d. If the proposed corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares within ten (10) days after demanding payment of his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and
- e. Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Revised Corporation Code.

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

- (a) No current director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the agenda of the annual stockholders' meeting other than the election of directors.
- (b) None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

- (a) The Company has 5,241,683,687 outstanding shares as of April 30, 2023, all of which are common shares of stock. As of April 30, 2023, 1,845,504,321 common shares, or equivalent to 35.49% of the outstanding shares, are owned by foreigners. Each share is entitled to one vote.
- (b) In accordance with the By-Laws of the Company, the Board of Directors has set June 1, 2023 as the record date for the purpose of determining stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting. All stockholders of record on June 1, 2023 are entitled to notice and to vote at the Annual Stockholders' Meeting.

Voting Procedures

Vote Required

- a. Each share of the common stock outstanding on the record date will be entitled to one (1) vote on all matters.

- b. In the election of directors, the ten (10) nominees with the greatest number of votes will be elected directors. If the number of nominees does not exceed the number of directors to be elected, the Secretary of the meeting, upon motion made, is instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of directors to be elected, voting shall be done by ballots. Cumulative voting shall be followed.
- c. Only those stockholders who have notified the Company of their intention to participate in the meeting through remote communication, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum. The vote of the stockholders representing the majority of the quorum shall be required to approve any action submitted to the stockholders for approval
- d. For all proposals or matters submitted to a vote, the affirmative vote of stockholders holding at least a majority of the Company's outstanding capital stock present or represented by proxy and entitled to vote shall be necessary. Unless required by law, or the stockholders, in this meeting, the shares will be voted by casting it in the official ballot or proxy form submitted on or before the end of business day of June 16, 2023.
- c. Counting of votes shall be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors and the Company's stock transfer agent.

Voting Method

A. Registration.

All stockholders of record may register until the close of business day of June 16, 2023. They are required to provide a valid identification card, an active email address and active contact number. For corporate stockholders, proof of authority of the representative is required (i.e. Secretary's Certificate of appointment of the authorized representative). A confirmation email will be sent no later than 3 calendar days to the stockholder once registration is complete or lacking requirements need to be provided.

B. Voting.

A registered stockholder may vote:

1. *Ballot.* A registered stockholder may electronically vote in absentia. After registration, the stockholder may cast votes on the agenda items for approval by accomplishing a ballot. Each stock is entitled to one vote. Hence, the total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she owns. The accomplished ballot should be submitted via email to asm2023@gfni.com.ph before June 16, 2023. A confirmation email will be sent no later than 3 calendar days to the stockholder that his/her vote has been recorded.
2. *Proxy.* A registered stockholder may vote by proxy. Stockholders may execute the proxy form (available on the website or requested via email) and send a scanned copy to asm2023@gfni.com.ph before the end of business day of June 16, 2023.

3. If a stockholder avails of the option to cast his/her vote electronically in absentia and also issues proxy votes with differing instructions, the duly accomplished ballots sent through email shall be the one counted.

C. Livestream

A link to the meeting will be sent to all registered stockholders to access the meeting. Technical assistance prior and during the meeting is available and may be requested via email to asm2023@gfni.com.ph. After the meeting, a recording of the proceeding will be posted on gfni.com.ph and may also be requested by email to asm2023@gfni.com.ph.

D. Question and Answer

Registered stockholders may send their questions and/or comments prior to the ASM through email at asm2023@gfni.com.ph until close of business day of June 26, 2023. Questions/comments received but not entertained during the open forum due to time constraints will be addressed separately via email response.

For clarifications, please contact the Office of the Corporate Secretary via email at epclaro@gfni.com.ph.

Security Ownership of Certain Record and Beneficial Owners and Management

As of March 31, 2023, the following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five (5%) of the Company's voting securities:

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 of Ownership
Common	PCD Nominee Corporation G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Shareholder	Direct- Please see note below	Filipino	2,139,203,412	41.22%
Common	PCD Nominee Corporation G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Shareholder	Direct- Please see note below	Non-Filipino	1,857,011,001	35.78%
Common	Regulus Best Nickel Holdings, Inc.	Direct; Joseph C. Sy	Filipino	523,154,668	10.08%

	7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder				
Common	Blue Eagle Elite Venture, Inc. 7 th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City Shareholder	Direct; Joseph C. Sy	Filipino	348,769,779	6.72%

PCD Nominee Corporation (“PCDNC”) is a wholly-owned subsidiary of PCD. The beneficial owners of such shares registered under the name of PCDNC are PCD’s participants who hold the shares on their own behalf or on behalf of their clients. The PCD is prohibited from voting these shares. Instead, the participants have the power to decide how the PCD shares in the Company are to be voted.

As of March 31, 2022, the participants of PCDNC who own more than 5% of the Company’s outstanding capital are as follows:

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 of Ownership
Common	BA Securities, Inc.	Direct	Filipino	2,527,978,335	48.71%
Common	Maybank Atr Kim Eng Securities, Inc.	Direct	Filipino	844,225,650	16.27%

The shares held by Regulus Best Nickel Holdings, Inc. and Blue Eagle Elite Venture, Inc. will be voted or disposed of by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose who is usually its President, Mr. Joseph C. Sy.

Security Ownership of Directors and Officers as of April 30, 2023

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Joseph C. Sy	5,019,049 (direct) 2,201,508,705 (indirect)	Filipino	42.42%
Common	Dante R. Bravo	25,271,947 (direct)	Filipino	0.49%
Common	Gu Zhi Fang	1 (direct)	Chinese	0.00%
Common	Francis C. Chua	350 (direct)	Filipino	0.00%
Common	Dennis Allan T. Ang	16,000,000 (direct)	Filipino	0.31%
Common	Mary Belle D. Bituin	1,630,524(direct)	Filipino	0.03%

Common	Jennifer Y. Cong	225,812(direct)	Taiwanese	0.00%
Common	Edgardo G. Lacson	1(direct)	Filipino	0.00%
Common	Sergio R. Ortiz-Luis Jr.	1(direct)	Filipino	0.00%
Common	Noel B. Lazaro	4,192,733 (direct)	Filipino	0.08%
Common	Carlo Matilac	1,733,227 (direct)	Filipino	0.03%
Common	Eveart Grace P. Claro	10,000(direct)	Filipino	0.00%
Common	Mario A. Nevado	726,552 (direct)	Filipino	0.01%
TOTAL		2,256,318,902		43.37%

Voting Trust Holders of 5.0% or More

There were no persons holding more than 5.0% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Report.

Change in Control

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The following are the incumbent directors and officers of the Company:

Name of Directors	Age	Nationality	Position
Joseph C. Sy	56	Filipino	Chairman of the Board of Directors and Director
Dante R. Bravo	47	Filipino	President and Director
Gu Zhi Fang	49	Chinese	Director
Dennis Allan T. Ang	46	Filipino	Director
Mary Belle D. Bituin	55	Filipino	Treasurer/ Senior Vice President for Finance/ Human Resources Department/ Director
Francis C. Chua	74	Filipino	Director
Jennifer Y. Cong	38	Taiwanese	Director
Noel B. Lazaro	53	Filipino	Regular Director/Senior Vice President for Legal and Regulatory Affairs, and Corporate Information Officer
Edgardo G. Lacson	79	Filipino	Independent Director
Sergio R. Ortiz-Luis Jr.	80	Filipino	Independent Director

Name of Officers	Age	Nationality	Position
Carlo Matilac	50	Filipino	Senior Vice President for Operations
Eveart Grace Pomarin-Claro	42	Filipino	Corporate Secretary/ Alternate Corporate Information Officer
Mario A. Nevado	68	Filipino	Compliance Officer

The Nomination's Committee is composed of its Chairman Mr. Edgardo G. Lacson and members Ms. Mary Belle D. Bituin and Mr. Dante R. Bravo.

Upon recommendation of the Company's Nomination Committee as required by the Company's Manual on Corporate Governance, the following are nominated for re-election or election to the position stated below for the year 2023-2024, to hold office as such for one year or until their successors shall have been duly elected and qualified.

	Name of Nominee	Position
1	Joseph C. Sy	Regular Director
2	Dante R. Bravo	Regular Director
3	Gu Zhi Fang	Regular Director
4	Dennis Allan T. Ang	Regular Director
5	Francis C. Chua	Regular Director
6	Mary Belle D. Bituin	Regular Director
7	Jennifer Cong	Regular Director
8	Noel B. Lazaro	Regular Director
9	Edgardo G. Lacson	Independent Director
10	Sergio R. Ortiz-Luis Jr.	Independent Director

The business experience for the past five years of each of our nominee directors is set forth below.

Joseph C. Sy

Chairman, and Director

Mr. Sy became Chairman of the Board of Directors on August 6, 2015. He became president of PGMC and Company in July 2011 and on August 29, 2014, respectively, until he was elected as Director and Chairman on August 6, 2015. He is also the Director and Chairman of SIRC, PCSSC, FSC, FSLC, SNPSI, and the Southeast Palawan Group. He is also Chairman and President of Ferrochrome Resources Inc.. Mr. Sy has decades of experience in managing and heading companies engaged in mining and mineral exploration and development. He is also a member of business associations and holds positions such as the Director of Mining for the Philippine Chamber of Commerce and Industry, Treasurer of the Philippine Nickel Industry Association, Inc., President of the Chamber of Philippines - China Economy & Trade Promotion, Inc., Honorary Chairman of the Philippine Silk Road Chamber of International Commerce and Vice-President of the International Chamber of International Commerce. Mr. Sy also holds titles of Honorary Consul of the Lao People's Democratic Republic and Rear Admiral of the Philippine Coast Guard Auxiliary Executive Squadron. He was conferred as Doctorate Fellow of the Academy of Multi-Skills, United Kingdom.

Dante R. Bravo

President and Director

Mr. Bravo became the President of the Company on August 6, 2015. He previously served as Executive Vice President of the Company. He has been a Director, Executive Vice President and Corporate Secretary of PGMC since 2011. He was Chief Finance Officer of PGMC from 2011 to 2013. He is also an attorney-at-law and a Certified Public Accountant in the Philippines. Mr. Bravo served as a Director from 2004 to 2011 and a Senior Associate from 2002 to 2004 at SGV. He is a professor of law at San Beda College and a lecturer for the Mandatory Continuing Legal Education Program for lawyers. He was the Chief Political Affairs Officer of Congressman Mr. Narciso R. Bravo Jr. He holds a Bachelor of Laws degree from San Beda College and a Bachelor of Accountancy

degree from the University of Santo Tomas. Mr. Bravo has more than 10 years of corporate management experience. He placed 10th in the 2001 Philippine Bar Examinations.

Mary Belle D. Bituin

Chief Financial Officer and Treasurer and Director

Ms. Bituin became a Director of the Company on November 2, 2015. Ms. Bituin holds a Bachelor of Science degree in Business Administration, majoring in accounting from Philippine School of Business Administration Manila. She is a Certified Public Accountant. She was Vice President for Business Transformation of Globe Telecom, Inc. She was the international auditor for the International Auditor for International Audits at the Cooperative for Assistance and Relief Everywhere (CARE), a leading international humanitarian organization fighting global poverty based in Atlanta, Georgia USA, from 1994 to 1998. She was also a senior auditor at SGV & Co. where she worked from 1988 to 1994.

Noel B. Lazaro

Senior Vice President for Legal and Regulatory Affairs and Corporate Information Officer and Director

Mr. Lazaro became a Director of the Company on March 14, 2018. He was the Corporate Secretary from October 22, 2014 to August 24, 2018. He also acts as its Senior Vice President for Legal and Regulatory Affairs and Corporate Information Officer. He joined PGMC on August 1, 2014. He is a Director and Corporate Secretary of Southeast Palawan, PCSSC and SIRC. Mr. Lazaro served as a Partner for Siguion Reyna Montecillo & Ongsiako, an Associate at SyCip Salazar Hernandez & Gatmaitan, a Professorial Lecturer for the Lyceum of the Philippines College of Law, the De la Salle University Graduate School of Business and Far Eastern University Institute of Law, Master of Business Administration-Juris Doctor Dual Degree Program, Manila Adventist School of Law and Jurisprudence, and Wesleyan University—Philippines College of Law. He completed his Bachelor of Laws degree from the University of the Philippines College of Law and placed 19th in the 1995 Philippine Bar Examinations.

Gu Zhi Fang

Director

Ms. Gu Zhi Fang became a director of the Company on October 22, 2014. She has been a director of Ferrochrome Resources, Inc. since 2011. She has also been a director and general manager of Jiangsu Lianhua Paper Ltd., Wujiang, Jiangsu Province, China. She is a visiting professor at the Kunming Metallurgy College in Kunming, China. She holds a degree in International Trade from Suzhou University. She was conferred as Doctorate Fellow of the Academy of Multi-Skills, United Kingdom.

Dennis Allan T. Ang

Director

Mr. Ang became a Director of the Company on August 10, 2015. He has been the Corporate Secretary of Maxima Machineries, Inc. since February 2009. He is the System Architect and Lead Programmer of Engagement Workflow System Architecture Development since July 2015. He founded Full Metro Gear Corp. and Engagement, Inc in 2014 and 2007, respectively. He occupied several key positions in Asian Institute of Management from 2001 to 2006. Mr. Ang holds a degree in Bachelor of Science in Management Information Systems from Ateneo de Manila University and a Masters degree in Business Administration from Asian Institute of Management.

Francis C. Chua*Director*

Mr. Chua became a director of the Company on October 22, 2014. He is currently the Honorary Consulate General of the Republic of Peru and the honorary president of the Federation of Filipino Chinese Chamber of Commerce and Industry. He is also the president emeritus of the Chamber of Commerce of the Philippines Foundations. Mr. Chua also served as the special envoy on Trade and Investments in China. He holds a Bachelor of Science in Industrial Engineering from the University of the Philippines, College of Engineering and doctorate degrees in humanities and business technology from the Central Luzon State University and the Eulogio Amang Rodriguez Institute of Science and Technology, respectively.

Jennifer Yu Cong*Director*

Ms. Jennifer Yu Cong became a director of the Company on February 10, 2021. She joined Platinum Group Metals Corporation in 2011 and was assigned to the Billing & Collection Department. Fluent in Chinese language, she was transferred to the Marketing Department where she is assigned to handle buyer and ship-owner concerns from 2012 up to present. She obtained her degree in Chinese Language at the Huaqiao University in Xiamen, China. Prior to obtaining her degree, she also took up business related subjects in Chiang Kai Shek College and University of Santo Tomas here in the Philippines.

Edgardo Gapuz Lacson*Independent Director*

Mr. Edgardo Gapuz Lacson became a Director of the Company on June 29, 2016. Mr. Lacson is a Director of the Philippine Stock Exchange and Puregold Price Club, Inc. He is also a Trustee of De La Salle University, Home Development Mutual Fund, ADR Institute for Strategic and International Studies and Philippine Disaster Recovery Foundation. Mr. Lacson is a President of MIS Maritime Corporation, Safe Seas Shipping Agency, Marine Industrial Supply Corporation and EML Realty. He is also a Trustee, Past President and Honorary Chairman of the Philippine Chamber of Commerce and Industry. He holds a Bachelor of Science in Commerce Major in Accountancy from the De La Salle College.

Sergio R. Ortiz-Luis Jr.*Independent Director*

Mr. Sergio Ortiz-Luis Jr. became a Director of the Company on August 5, 2020. Mr. Ortiz-Luis Jr is also an Independent Director of other publicly listed companies namely: Alliance Global Group, Inc., Forum Pacific, Inc., Jollville Holdings and SPC Power Corporation. He is also the Chairman of Waterfront Philippines, Inc. and a director of Wellex Industries, Incorporated. He is Vice-Chairman of Export Development Council, member of Industry Development Council and a private sector representative in The Philippine Bamboo Council. Also, an Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry and President & CEO of Philippine Exporters Confederations, Inc. He has been appointed Honorary Consul General of the Consulate of Romania in the Philippines (2015 to present), Treasurer of Consular Corps of the Philippines and Honorary Adviser of International Association of Educators for World Peace. He was also the recipient of the

Sino Phil Asia International Peace Award and the Gawad Parangal ng Rizal in Entrepreneurship in 2019 and 2017, respectively.

Mr. Ortiz-Luis Jr. obtained his Bachelor of Science in Liberal Arts and in Business Administration from the De La Salle College. He is also a Masters in Business Administration Candidate at De La Salle College. He has a PhD in Business Administration hc from Angeles University foundation, PhD in Humanities hc from Central Luzon Agricultural College, PhD in Business Technology hc from Eugelio Rodriguez University, and PhD in Capital Management hc from the Academy of Multiskills, UK.

OTHER EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Carlo A. Matilac

Senior Vice President Operations

Mr. Matilac became the Senior Vice President for Operations on August 1, 2014. In 1994, Mr. Matilac graduated with a Bachelor of Science in BS Mining Engineering in Cebu Institute of Technology in 1994 and thereafter passed the 1994 Mining Engineer Licensure Exam garnering 1st Place. Mr. Matilac has more than 19 years of technical and engineering experience in managing companies engaged in mining and mineral exploration development. Prior to his current position, Mr. Matilac served as a technical specialist for BHP Billiton and QNI, and a mine engineering superintendent for Manila Mining Corp. He also holds a Masters in Business Administration from Saint Paul University.

Eveart Grace Pomarin-Claro

Corporate Secretary and Alternate Corporate Information Officer

Ms. Pomarin Claro became Corporate Secretary of the Company on August 24, 2018. She was the Assistant Corporate Secretary and Alternate Corporate Information Officer of the Company from September 10, 2014 until on August 23, 2018. Ms. Pomarin-Claro served as Corporate Secretary of the Company from February 1, 2014 to August 29, 2014. She is the Executive Legal Officer of PGMC. She is Assistant Corporate Secretary of PGMC, SIRC and the Corporate Secretary of Ipilan Nickel Corporation, Nickel Laterite Resources, Inc. and Celestial Nickel Mining Exploration Corporation. She completed a Bachelor of Laws from University of St. La Salle.

Mario A. Nevado

Compliance Officer

Mr. Nevado became Compliance Officer of the Company on August 24, 2018. He has been with PGMC since 2007 and became the Assistant Vice President for Finance in 2011. He completed his Bachelors of Science degree in Accounting from the Philippine College of Commerce (now the Polytechnic University of the Philippines), and is a Certified Public Accountant. He has a solid background in financial services by working in various reputable companies. He held various positions as Manager of the Money Market Division, Purchasing Division of the Philippine National Bank (PNB), and of PNB Capital and Investment Corporation, a subsidiary of PNB. He also worked as an Accountant of Philippine Bread House in New Jersey, USA.

Significant Employees

No single person is expected to contribute more significantly than others do 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. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

Involvement In Certain Legal Proceedings Of Directors And Executive Officers

Save as disclosed in this Information Statement, to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officer have in the five (5) -year period prior to the date of this Prospectus: (a) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two (2) -year period of that time; (b) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending proceeding in courts of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses except as those disclosed in the public domain; (c) have been the subject of 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 their involvement in any type of business, securities, commodities or banking activities; or (d) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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, such judgment having not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

There are no transactions during the past two (2) years to which the Company or any of its subsidiaries was or is to be a party, and in which a director, executive officer, stockholder owning ten percent (10%) or more and members of their immediate family had or are to have a direct or indirect material interest, except as mentioned in Note 30 of the audited consolidated financial statements for the period ended December 31, 2022 (Annex A) which provides information on the Company's significant transactions with related parties.

There are no transactions with parties that fall outside the definition of "related parties" under PAS 24, with whom the Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

Disagreement with Director

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders' Meeting because of a disagreement with the Company on any matter relating to the latter's operations, policies, or practices.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation

The following table identifies and summarizes the aggregate compensation of the Company's Chairman and its three (3) other executive officers of the Group for the years ended December 31, 2022 and 2021:

	<u>Year</u>	<u>Total⁽¹⁾</u> <u>(In million ₱)</u>
Chairman and the three (3) most highly compensated executive officers named above	2021	91.03
	2022	120.70
Aggregate compensation paid to all other officers as a group unnamed	2021	115.40
	2022	151.00

Note:

(1) *Includes salary, bonuses and other income*

The Compensation and Remuneration Committee comprises at least three (3) members, including the President and one (1) independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. It is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the company successfully. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Compensation and Remuneration Committee reports directly to the Board and is required to meet at least once a year and provides overall direction on the compensation and benefits strategy of the Company. The composition of the Compensation and Remuneration Committee consist of three (3) members, including Mr. Sergio R. Ortiz-Luis Jr. as chairman, and Mr. Joseph C. Sy and Atty. Dante R. Bravo as members.

Standard Arrangements

Other than payment of a fixed monthly director's fee of ₱100,000, there are neither per diem nor other standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, for any service provided as a director.

Family Relationships

There are no family relationships between any Directors and any members of the Company's senior management as of the date of this Information Statement, except Mr. Sy and Ms. Gu who are husband and wife.

Employment Contracts

- a) There are no employment contracts between the Company and a named executive officer.

- b) Neither is there a compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, which plan or arrangement results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and the amount involved, including all periodic payments or installments, exceeding ₱2,500,000.

Warrants and Options Outstanding

As of the date of this Information Statement, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

CORPORATE GOVERNANCE

In 2011, the Corporation adopted a Revised Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 6, Series of 2009 and in amendment of its Manual on Corporate Governance (dated August 21, 2002 as amended in June 2010).

The duties and responsibilities of the Board of Directors and management were expanded under SEC Memorandum Circular No. 9, Series of 2014, to consider not only the stockholders but also other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates. Hence, a Revised Manual on Corporate Governance was filed on July 24, 2014.

On December 1, 2014, the Board of Directors approved the Confirmation of Adoption of Manual of Corporate Governance of the Company in view of the change in management and majority stockholders.

In 2016, the Code of Corporate Governance for Publicly-Listed Companies was introduced based on the latest G20/OECD Principles of corporate governance and the Association of Southeast Asian Nations Corporate Governance Scorecard. In compliance with SEC Memorandum Circular No. 19, Series of 2016, the Corporation filed its Manual on Corporate Governance on May 31, 2017.

The Corporation also files its Integrated Annual Corporate Governance Report periodically required under SEC Memorandum Circular No. 15, Series of 2017. Last filing at the time of this report was on June 30, 2021.

To ensure compliance with the Revised Manual on Corporate Governance, the Compliance Officer shall, among other things, (i) monitor compliance with the provisions and requirements of the Revised Manual on Corporate Governance, (ii) determine violations thereof and recommend possible penalties for violation for further review and approval of the Board, and (iii) identify, monitor, and control compliance risks. Further, not later than 30th day of January each year, the Compliance Officer shall issue a certification on the extent of the Company's compliance with its Revised Manual on Corporate Governance for the completed year and explain the reason/s for any deviation therefrom.

On January 4, 2022, the Compliance Officer has issued a certification that for calendar year 2021, the Corporation substantially adopted and complied with the provisions of the Manual on Corporate Governance (Model Corporation), as prescribed by SEC Memorandum Circular No. 24, Series of 2019 and does not have any significant deviation therefrom.

COMPENSATION PLANS

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), the details of which shall be subject to the approval of the Compensation Committee. On May 9, 2017, the Compensation Committee and the BOD approved the Employee Stock Option Master Plan which is a share-based compensation plan. It also approved the granting of the First Tranche which comprised the 20,000,000 option grants to be vested over three (3) years at a strike price of ₱2.00 and 20,000,000 share/stock grants to be granted over two (2) years (i.e., 10,000,000 share/stock grants each year).

Special Stock Grant

The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 27, 2017, the grant date, between the Parent Company and the grantees. A total of 10,100,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

- The participants of the special stock grant are the officers and employees of its significantly owned subsidiaries as selected and approved by the Compensation Committee;
- The shares granted under the 2017 Plan will be registered in the employee's name and will have a lock-in period of two (2) years from the date of grant;
- As the owner of record, the employee will have the right to vote shares and receive dividends; and
- During the lock-in period, such shares of stocks granted may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of. Pursuant to this, the certificate covering the shares of stock will be held in escrow by the designated escrow agent, and will be released at the end of the lock-in period.

The second tranche of the Stock Grant was executed on December 28, 2018, the grant date, between the Parent Company and the grantees. A total of 9,900,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are the same as that of the 2017 Stock Grant. As of date, the stock grants have been released to the grantees since the lapse of the lock-in periods.

Appointment of Stock and Transfer Agent

Securities Transfer Services, Inc. ("STSI") is recommended to be retained as the Company's stock and transfer agent for the ensuing year. Representatives of STSI are expected to be present at the upcoming Annual Stockholders' Meeting to respond to appropriate questions and to make a statement if they so desire.

Financial and Other Information

The audited financial statements as of December 31, 2022, Management Discussion and Analysis, market price of shares and dividends and other data related to the Company's financial information is attached.

OTHER MATTERS

Action with Respect to Reports

The approval of the following will be considered during the Annual Stockholders' Meeting:

1. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on June 29, 2022
2. Annual Report and Approval of the Audited Financial Statements as of December 31, 2022
3. Ratification of all acts of the board of directors and management
4. Election of the Board of Directors
5. Appointment of external auditors
6. Other Matters

Declaration of Cash Dividend of P0.10 per share

The Company's current dividend policy provides that at least 20% of the Unrestricted Retained Earnings of the Company for the preceding fiscal year will be declared as dividends. The Company intends to maintain a consistent dividend payout policy based on its consolidated net income for the preceding fiscal year, subject to the requirements of the applicable laws and regulations and absence of circumstances which may restrict the payments of such dividends. As such, in its meeting held on May 16, 2023, the Board of Directors approved the declaration of a cash dividend of ten centavos (Php 0.10) per share subject to the Company's withholding of applicable taxes for stockholders of record as of June 1, 2023. Payment will be not later than June 28, 2023 and will be taken out of unrestricted retained earnings as of December 30, 2022.

Other Proposed Actions

The following are to be proposed for approval during the stockholders' meeting:

1. Election of the Directors; and
2. Appointment of External Auditor

UNDERTAKING

Upon the written request of the stockholder, the Company undertakes to furnish such stockholder with a copy of SEC Form 17-A free of charge. Such a written request for a copy of SEC Form 17-A shall be directed to the Office of the Corporate Secretary, Penthouse Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City, Metro Manila, Philippines. At the discretion of the management, a charge may be made for exhibits provided. Such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibits.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report was signed in the City of Makati, Metro Manila on **May 19, 2023**.

GLOBAL FERRONICKEL HOLDINGS, INC.

Issuer



EVEART GRACE POMARIN-CLARO

Corporate Secretary

MANAGEMENT REPORT

BUSINESS

Corporate Information

Global Ferronickel Holdings, Inc. (the “Company”, “Parent Company”, the “Group”, “Corporation”, or “FNI”) was established on May 3, 1994 as a holding company.

The registered principal office address of the Company is at Penthouse, Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City.

As at June 30, 2014, IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp. (collectively, the IHoldings Group) owned 74.80%, 10.17% and 4.85% of the Company, respectively.

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement with Huatai Investment Holdings Pty. Ltd., Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Synergy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., and three (3) individuals (collectively, the “Thirteen Stockholders”) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Company (the “Subject Shares”) comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Company. This Share Purchase Agreement was amended on September 4, 2014.

On September 5, 2014, as a requirement under the Securities Regulation Code (SRC), the Thirteen Stockholders have launched a mandatory tender offer to acquire the shares of the minority stockholders holding 712,781,634 common shares of the Company and filed a Tender Offer Report with the Philippine Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). The Tender Offer period lapsed October 10, 2014 where 204,264 common shares (the “Tendered Shares”) were tendered to the Thirteen Stockholders. After the lapse of the tender offer period, the Thirteen Stockholders completed the purchase of the Subject Shares in accordance with the Share Purchase Agreement. The Subject and Tendered Shares were crossed through the PSE on October 15, 2014.

On September 10, 2014 and October 22, 2014, the Board of Directors (BOD or Board) and the stockholders of the Company, respectively, approved the following amendments to the Articles of Incorporation (AOI) and By-laws:

- Change in the Company’s name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Buildings, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Company from ₱2,555,000,000.00 divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change of fiscal year from June 30 to December 31.

The BOD and the stockholders of the Company also approved the issuance of 10,463,093,371 new common shares of the Company resulting from the increase in the authorized capital stock to the

Thirteen Shareholders who are also the stockholders of Platinum Group Metals Corporation (“PGMC”) in exchange for the sale and transfer to the Company of 99.85% of the outstanding capital stock of PGMC under a Deed of Exchange dated October 23, 2014; and the follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMC.

On October 23, 2014, the Company executed a Deed of Exchange for a share-for-share swap (Share Swap) with the Thirteen Stockholders of PGMC. The Company will issue 10,463,093,371 common shares to the Thirteen Stockholders in exchange for the 99.85% outstanding shares of PGMC and cancel the receivables of the Company assumed by the Thirteen Stockholders from the IHoldings Group pursuant to the Share Purchase Agreement dated July 9, 2014, as amended on September 4, 2014. The total par value of the 10,463,093,371 common shares to be issued by the Company to the Thirteen Stockholders amounted to ₱3,662.1 million.

On November 27, 2014, the Company entered into a Memorandum of Agreement with Giantlead Prestige, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Huatai Investment Holding Pty. Ltd. and an individual for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for United States Dollar (US\$)50.0 million or its Philippine peso equivalent.

On December 1, 2014, the Company filed with the SEC a Notice of Exempt Transaction under Section 10.1 (e) and (i) of the SRC, or pursuant to the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock and pursuant to the subscription for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Philippine Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered and duly incorporated, or its authorized capital increased, for the issuance of the aforementioned 10,463,093,371 new common shares. An amended Notice of Exempt Transaction was filed on February 18, 2015.

On December 22, 2014, the Philippine SEC approved the Company’s application to increase the authorized capital stock of the Company to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share, and the issuance of 10,463,093,371 to the stockholders of PGMC who transferred their shares in PGMC to the Company, as well as the amendment of its AOI and by-laws to reflect the change in the corporate name, principal address, number of directors and fiscal year.

On February 26, 2015, the Company’s stockholders representing 71.64% of the total outstanding shares unanimously approved and ratified the planned acquisition of SPNVI.

On August 6, 2015, the BOD of the Company approved the following:

- The execution of the Contract to Sell for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of SPNVI for US\$50.0 million or its Philippine peso equivalent; and
- Subscription of the Company to the remaining unissued and unsubscribed shares of SPNVI consisting of Three Hundred Thousand (300,000) common shares with a par value of One Peso (₱1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000,000) preferred shares with a par value of One Centavo (₱0.01) per share, for a total subscription price of Thirty Seven Million Eight Hundred Thousand Pesos (₱37,800,000.00).

The approval of the stockholders to authorize this transaction was secured during the Corporation's Special Stockholders' Meeting held on February 26, 2015.

On August 6, 2015, after the meeting, the parties through their authorized representatives signed the Contract to Sell.

On December 21, 2022, the Company and the shareholders of SPNVI entered into an agreement to terminate the Contract to Sell. The termination paves the way for the Company to concentrate its mining portfolio in its subsidiary, as PGMC instead will subscribe to the primary shares in SPNVI, making PGMC the majority shareholder of SPNVI.

On August 22, 2016 and October 3, 2016, the BOD and stockholders of the Parent Company, respectively, approved the following resolutions:

- Reverse stock split of the Parent Company's common stock at a ratio 1-for-3;
- Amendment of the AOI to reflect an increase in the par value per share and a corresponding decrease in the total number of shares or a reverse stock split, whereby in effect, the authorized capital stock of the Parent Company is increased from ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share to ₱12,555,020,001.30 divided into 11,957,161,906 common shares with a par value of ₱1.05 per share, or an increase of ₱20,001.10; and
- Amendment of the By-laws to include notice of regular or special meetings of the Board by electronic mail and attendance to board meetings by means of telephone, electronic, or other suitable electronic communication facilities, including telephone conference, video conference, or the internet or any combination of those methods.

On November 7, 2016, the SEC approved the Parent Company's increase in the authorized capital stock and the amendments of the AOI and By-laws.

On July 20, 2018, the Parent Company completed its 250,000,000 common shares follow-on offering at an offer price of ₱2.07 with total proceeds of ₱517.5 million. On the same date, all the 6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE. Pursuant to the use of proceeds from the follow-on offering, the Parent Company subscribed to PGMC's common stock amounted to ₱480.6 million on August 2, 2018 and on August 3, 2018, PGMC used this amount to pay a portion of the Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) loan.

The Company, its Subsidiaries and Affiliates (collectively, the "Group") have no record of any bankruptcy, receivership or similar proceedings during the past three (3) years. Neither has the Group made any material reclassification, merger, consolidation, or purchase nor sale of a significant amount of assets not in the ordinary course of business from 2020 to 2022, except as disclosed and mentioned herein, and in the Company and Subsidiaries audited financial statements.

Corporate Objective

The Company's objective is to deliver value by carrying out its activities in an environmentally, socially and financially responsible manner for the benefit of the nation, the communities where it operates, its employees, customers and other stakeholders.

Subsidiaries

The Parent Company's ownership interests in its subsidiaries are presented below:

<i>Subsidiaries</i>	Principal Place of Business	Principal Activities	Effective Ownership	
			2022	2021
PGMC	Philippines	Mining	99.98%	99.98%
Surigao Integrated Resources Corporation (SIRC) ⁽¹⁾	Philippines	Mining	99.98%	99.98%
PGMC-CNEP Shipping Services Corp. (PCSSC) ⁽¹⁾	Philippines	Services	99.98%	99.98%
PGMC International Limited (PIL) ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
Wealthy Huge Corporation Limited (WHCL) ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
FNI Steel Corporation (FSC) ⁽²⁾	Philippines	Manufacturing	100.00%	100.00%
FNI Steel Landholdings Corporation (FSLC) ⁽²⁾	Philippines	Landholdings	100.00%	100.00%
Mariveles Harbor Corporation (MHC), formerly Seasia Nectar Port Services Inc. ⁽³⁾	Philippines	Port Operations	64.03%	64.03%
SPNVI ⁽⁴⁾	Philippines	Holding/Mining	59.37%	–
Ipilan Nickel Corporation (INC) ⁽⁵⁾	Philippines	Mining	59.37%	–
Celestial Nickel Mining Exploration Corporation (CNMEC) ⁽⁵⁾	Philippines	Mining	59.37%	–
Nickel Laterite Resources, Inc. (NLRI) ⁽⁵⁾	Philippines	Holding/Mining	59.37%	–

(1) Indirect ownership through PGMC.

(2) On November 9, 2021, FSC and FSLC became wholly-owned subsidiaries of the Parent Company when Huarong Asia Limited relinquished its investment in these companies in 2021.

(3) On December 29, 2021, the Parent Company's equity interest in MHC increased from 40.05% to 64.03% as a result of the purchase of additional interest from Nectar Group Limited (NGL), an existing stockholder.

(4) This represents the ownership of the Parent Company on SPNVI's all classes of outstanding shares, preferred and common. The Parent Company indirectly owns 99.44% and 37.50% of the outstanding shares of SPNVI with voting power as at December 31, 2022 and 2021, respectively.

(5) This represents the indirect ownership of the Parent Company on the subsidiaries of SPNVI.

Platinum Group Metals Corporation

PGMC was registered with the Philippine SEC on February 10, 1983. PGMC is primarily engaged in the exploration, mining and exporting of nickel ore located in the municipality of Claver, Surigao del Norte. PGMC's principal office address is the same as that of the Parent Company.

PGMC has the exclusive privilege and right to operate for a period of twenty-five (25) years the lateritic nickel mine in Cagdianao, Claver, Surigao del Norte, Philippines, hereafter referred to as the "Cagdianao Mine" covered under Mineral Production Sharing Agreement (MPSA) No. 007-92-X by virtue of the Operating Agreement entered into on September 15, 2006 by PGMC and SIRC, a subsidiary. PGMC currently operates four (4) deposit sites known as CAGA 1, CAGA 2, CAGA 3, and CAGA 4 within the Cagdianao Mine. There are three (3) additional deposit sites at Cagdianao Mine that have yet to be developed and exploited.

Seasonality

The Cagdianao Mine produces and exports nickel ores from April to October of each year, typically the dry and minimal sea swell season at the mine site. During the rainy season, mining operations in the mine site are suspended and there is no loading of ore onto ships. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred during the second and third quarters compared to the first and fourth quarters.

As of 2022, PGMC is the second largest nickel ore producer in the Philippines by total value of shipment and third by total volume of nickel ore shipped from 2014 to 2022, accounting for 13.74% and 9.94%, respectively, according to the data obtained from Mines and Geosciences Bureau's (MGB) website.

Surigao Integrated Resources Corporation

SIRC was organized in July 1999 and duly registered with the Philippine SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large-scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into

agreements as may be allowed by law. SIRC's principal office address is the same as that of the Parent Company.

SIRC is the holder of MPSA No. 007-92-X located in Cagdianao, Claver, Surigao del Norte covering an area of 4,376 hectares. The said MPSA was last renewed on June 21, 2016 for another twenty-five (25) years from its initial term ending in 2017, or until February 14, 2042.

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein CLNMI has agreed to assign all of its rights, titles and interests on its Exploration Permit (EP) and mineral property. The Deed of Assignment was approved by the MGB on June 27, 2016. CLNMI has an application for EP with Application No. EPA-000101-XIII filed with the MGB covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte. SIRC applied for the expansion of its mining tenement annexing the area covered by the application for EP with Application No. EPA-000101-XIII. On March 2, 2020, MGB approved the area expansion of SIRC's MPSA from 4,376 hectares to 5,219.56 hectares by annexing the area covered by the application for exploration permit EXPA-000101-XIII. MGB redenominated SIRC's MPSA from MPSA No. 07-92-X-SMR to MPSA No. 07-92-X-SMR (Amended I).

PGMC-CNEP Shipping Services Corp.

On June 4, 2013, PGMC incorporated PCSSC. PCSSC was registered with the Philippine SEC, primarily to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft tank (LCT) or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description. PCSSC's principal office address is the same as that of the Parent Company.

In April 2014 and June 2014, PCSSC's LCT 3 and 4, and LCT 1, 2 and 5, respectively, were registered with the Maritime Industry Authority (MARINA), under the Department of Transportation, the former being the agency responsible for integrating the development, promotion and regulation of maritime industry in the Philippines. These shipping equipment are classified as cargo ships and are engaged primarily in coastwise trading with licenses that are valid until 2023.

PGMC International Limited

On July 22, 2015, PIL was incorporated under the Companies Ordinance of Hong Kong, and is a limited company. It was established to conduct marketing, trading, sales and to facilitate relations with Chinese customers, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC. PIL's principal office address is at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong.

Wealthy Huge Corporation Limited

On March 1, 2021, WHCL was incorporated under the Companies Ordinance of Hong Kong, and is a limited company. It was established to facilitate relations with offshore customers, collection of accounts, availment of offshore banking services, and such other services as will aid PGMC's strategic growth in the ASEAN region. WHCL's principal office address is at Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong. WHCL has not started its operations as at December 31, 2022.

FNI Steel Corporation

FSC was registered with the Philippine SEC on August 5, 2019. Its primary purpose is to engage in the business of buying, selling, dealing, at wholesale and retail, importing and manufacturing iron, steel and other ferrous or non-ferrous metal products, to be processed either by melting, rolling, casting, or forging to produce it in the form of ingots, billets, sections, bars, plates, strips, rods, tubes, pipes and other such form in demand in the market or industry; to import materials, machinery and

equipment needed to manufacture such finished products; and to lease real properties such as land and buildings as needed. FSC's principal office address is at 9L 3/F AFAB Administration Bldg. Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines.

On October 21, 2019, FSC entered into a Registration Agreement with the Authority of the Freeport Area of Bataan (AFAB) which entitles FSC to conduct and operate its business at the Freeport Area of Bataan (FAB).

In March 2020, FSC has already started with its land development. As of December 31, 2022, FSC has not yet started its commercial operations.

FNI Steel Landholdings Corporation

FSLC was registered with the Philippine SEC on May 31, 2019. Its primary purpose is to engage in the business of managing real estate or interest therein, alone or in joint ventures with others and for this purpose acquire land by purchase, lease, donation, or otherwise, and to own, use, improve, subdivide, hold, administer, sell, convey, exchange, lease, mortgage, dispose of, work, develop, or otherwise deal in real property of any kind and interest or right therein and to construct, improve, manage, or otherwise dispose of buildings and other structures of whatever kind, together with their appurtenances whether for dwelling, commercial or industrial purposes. FSLC was incorporated to hold real properties of FSC. FSLC's principal office address is the same as that of the Parent Company.

On January 21, 2020, FSLC entered into a 25-year agreement with FSC to lease the 100,000 square meters land located at Barangay Alas-asin, Mariveles, Bataan, Philippines, for a consideration amounting to ₱5.00 per square meter or ₱500,000 every month. Lease payments will commence upon the commercial operations of FSC.

Mariveles Harbor Corporation

MHC was registered with the SEC on July 11, 2014 primarily to carry on the business of providing and rendering general services incidental to and necessarily connected with the operation and management of port terminals in the Philippines, which will involve the handling of containers, bulk liquid and dry cargoes, refrigerated warehousing facilities, warehousing and stevedoring, lightering, towing, and/or storing of cargo handled by MHC to and from port terminals in the delivery from abroad and/or for shipment abroad as may be necessary or incidental thereto. MHC's principal office address is at Mariveles Multi-Purpose Terminal, Mariveles Diversion Road, Freeport Area of Bataan, Brgy. Sisiman, Mariveles, Bataan.

MHC operates the first purpose-built Dry Bulk Terminal located within the FAB in Mariveles and handles shipments of coal, clinker, silica sand and cement raw materials, as well as steel, fertilizer and other dry bulk cargoes. It was formed as a result of a joint venture between NGL, Seasia Logistics Philippines, Inc., both with 40% ownership interest, and Webcast Technologies, Inc. with 20% ownership interest.

On December 19, 2019, as part of the diversification plans of the Company, it acquired 40.05% interest in MHC, and increased its ownership interest to 64.03% on December 29, 2021. The Company's investment in MHC will pave the way for the successful operations of FSC's steel processing plant located in proximity to the terminal. It will help ensure that FSC will have an easy and steady access to port services given that FSC will rely heavily on the importation of raw materials especially during the period of construction.

On January 4, 2022, MHC was registered with the FAB as a Domestic Market Enterprise which entitled MHC to Special Corporate Income Tax (SCIT) incentive applicable for ten (10) years for the registered project or activity effective on January 1, 2022 to December 31, 2032. MHC has also been granted an incentive of duty exemption, value-added tax (VAT) exemption on importation and VAT

zero-rating on local purchases subject to compliance with the Bureau of Internal Revenue (BIR) and AFAB.

Southeast Palawan Nickel Ventures, Inc.

SPNVI was registered with the SEC on July 11, 2014. It is primarily engaged to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market, and to market, sell at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products. SPNVI's principal office address is the same as that of the Parent Company.

Ipilan Nickel Corporation

SPNVI wholly owns INC, a company registered with the SEC on July 22, 2005, for the primary purpose to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the area of Sitio Ipilan, Mambalot, Municipality of Brooke's Point, Province of Palawan, consisting of 2,835 hectares and covered by MPSA No. 017-93-IV-as Amended-2000, by the Government of the Republic of the Philippines through the Secretary of the Department of Environment and Natural Resources (DENR).

Celestial Nickel Mining Exploration Corporation

SPNVI directly owns 73.57% of CNMEC, a company registered with the SEC on December 17, 1979, for the primary purpose to search for, prospect, explore, develop ores and mineral, to locate mining claims within the Philippines and record the same according to mining laws, and to purchase, take on lease, exchange or otherwise acquire mines, workings, mineral lands, mining claims, mineral, water and timer rights, foreshore leases, licenses concessions and grants, and other effects whatsoever which CNMEC may from time to time deem proper to be acquired for any of its purposes.

The Philippine Government through the DENR has granted MPSA No. 017-93-IV to CNMEC on August 5, 1993, which was later approved by the President of the Republic of the Philippines on September 18, 1993, covering an area of 2,835.0600 hectares in the Municipality of Brooke's Point, Province of Palawan. The MPSA No. 017-93-IV was amended on April 10, 2000, to conform to the provisions of Republic Act No. 7942 and was redominated as MPSA No. 017-93-IV-as Amended-2000. The DENR, in an Order dated December 21, 2020, clarified that the effective date of MPSA No. 017-93-IV-as Amended-2000 shall be reckoned on April 10, 2020, and shall expire on April 10, 2025. INC is the Operator of CNMEC by virtue of the January 19, 2005, Operating Agreement that was approved by the MGB through an Order dated April 20, 2015. Also, per the approved Survey Plan dated December 13, 2016, the contract area of MPSA No. 017-93-IV-as Amended-2000 is 2,917.2743 hectares.

Nickel Laterite Resources, Inc.

SPNVI directly owns 60% of NLRI, a company registered with SEC on July 22, 2005, for the primary purpose to subscribe for, purchase or otherwise acquire, obtain interests in, own, hold, pledge, hypothecate, assign, sell, exchange or otherwise dispose of and generally deal in and with personal properties and securities of every kind and description of any government, municipality or other political subdivision or agency, corporation, association or entity; to exercise any and all interest in respect of any such securities; and to promote, manage, participate in and act as agent for any purchasing or selling syndicate or group of investors and otherwise to take part in and assist, in any legal matter for the purchase and sale of any securities as may be allowed by law, without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.

Products

The Group produces two (2) types of nickel ore, namely saprolite and limonite. Nickel ore can be blended into six (6) product categories to meet the specifications stipulated in the Group's supply contracts entered into with its customers. The shipping grades and tonnages may vary yearly depending on customer specifications and demand for different product types. However, based on historical shipment records, previous product specifications were generally classified in the categories presented in the table on the next page.

Historical Product Categories:

Nickel Ore Type	Product Categories	Grade Specifications
Limonite	Low Grade Nickel-High Iron Ore	<1.10% Ni and >=47% Fe
Limonite	Low Grade Nickel-Medium Iron Ore	>=1.10% Ni to <1.40% Ni and >=30% to <47% Fe
Saprolite	Low Grade Nickel Ore	>=1.10% Ni to <1.40% Ni and <30% Fe
Saprolite	Medium Grade Nickel-High Iron Ore	>=1.40% Ni to <1.70% Ni and >=30% Fe
Saprolite	Medium Grade Nickel-Low Iron Ore	>=1.40% Ni to <1.70% Ni and <30% Fe
Saprolite	High Grade Nickel Ore	>=1.70% Ni and regardless % Fe

Though there is a category for waste that falls outside of the saleable grade ranges, the Group stockpiles waste for future blending purposes or for future sale when they become marketable.

In general, low grade nickel high iron products have the greatest volumes sold, which represented approximately 60.5% by mass of total ore shipped followed by medium grade nickel products at approximately 35.9% and high grade products at approximately 3.6% for the years 2007 to 2022. A high proportion of low nickel grade materials have been sold as this material is closest to the surface; they are the easiest to be mined and most abundant at our Cagdianao Mine.

The Group's primary customers include trading companies as well as end users in China. One Hundred Percent (100.0%) of the Group's sales for the years ended December 31, 2020, 2021 and 2022 were sold to customers in China and the Group expects that China will continue to be a large contributor to its sale of nickel ore in the future. The Group's customers mainly use the ore it provides to produce intermediate products for the manufacture of stainless steel, nickel pig iron (NPI) and for the production of nickel cathodes. High grade nickel ores are purchased by the Group's customers for the production of higher grade stainless steel such as the 300 Series, and low grade nickel ore is used by the Group's customers for the production of lower grade stainless steel such as the 200 Series.

Competition

The Company competes with foreign nickel ore suppliers (primarily from New Caledonia, Indonesia and Australia) in world nickel ore markets, as well as other Philippine players. The most notable domestic competitors are Nickel Asia Corporation, Marcventures Mining and Development Corporation, CTP Construction and Mining Corporation, Carrascal Nickel Corporation and Oriental Peninsula Resources Group, Inc. The Company competes with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply. The Company believes that it can effectively compete with other nickel ore suppliers due to efficient systems put in place in the operations of the CAGA Mine.

Source of Supplies

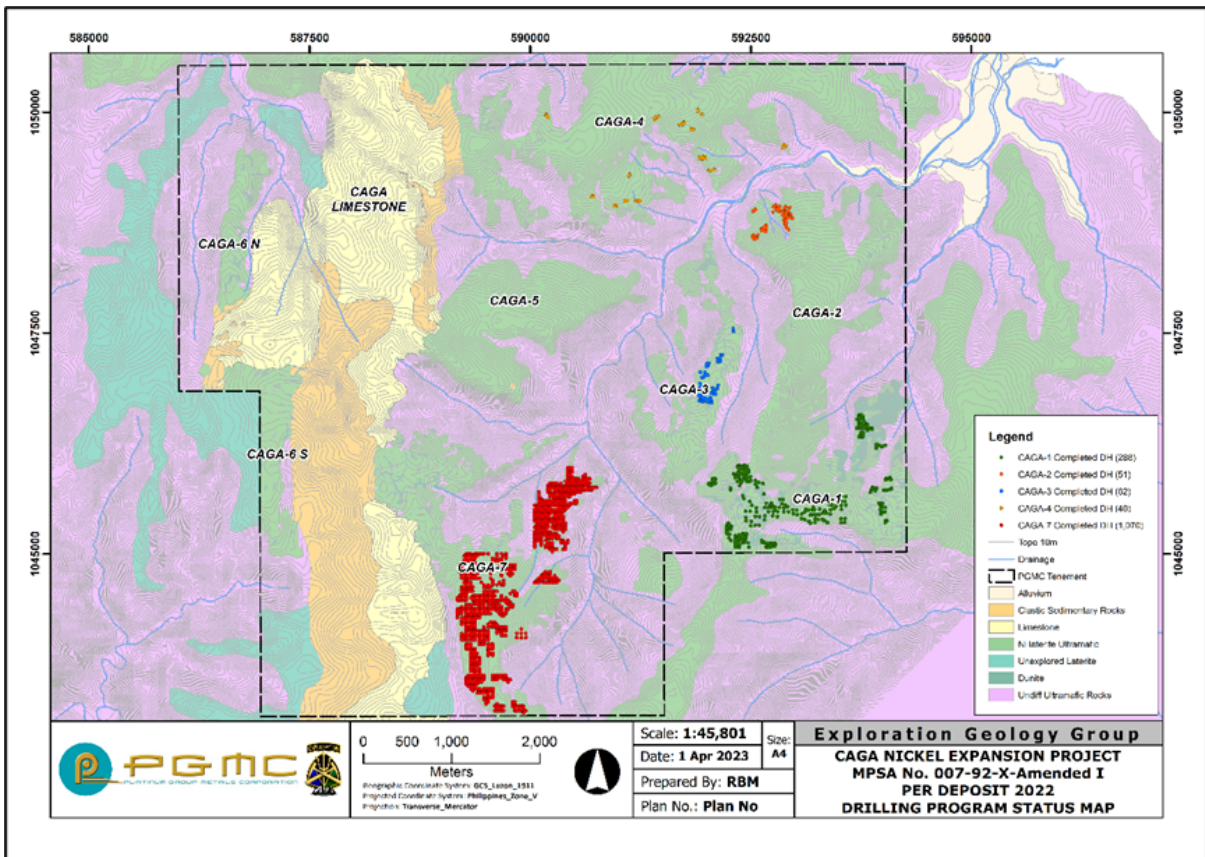
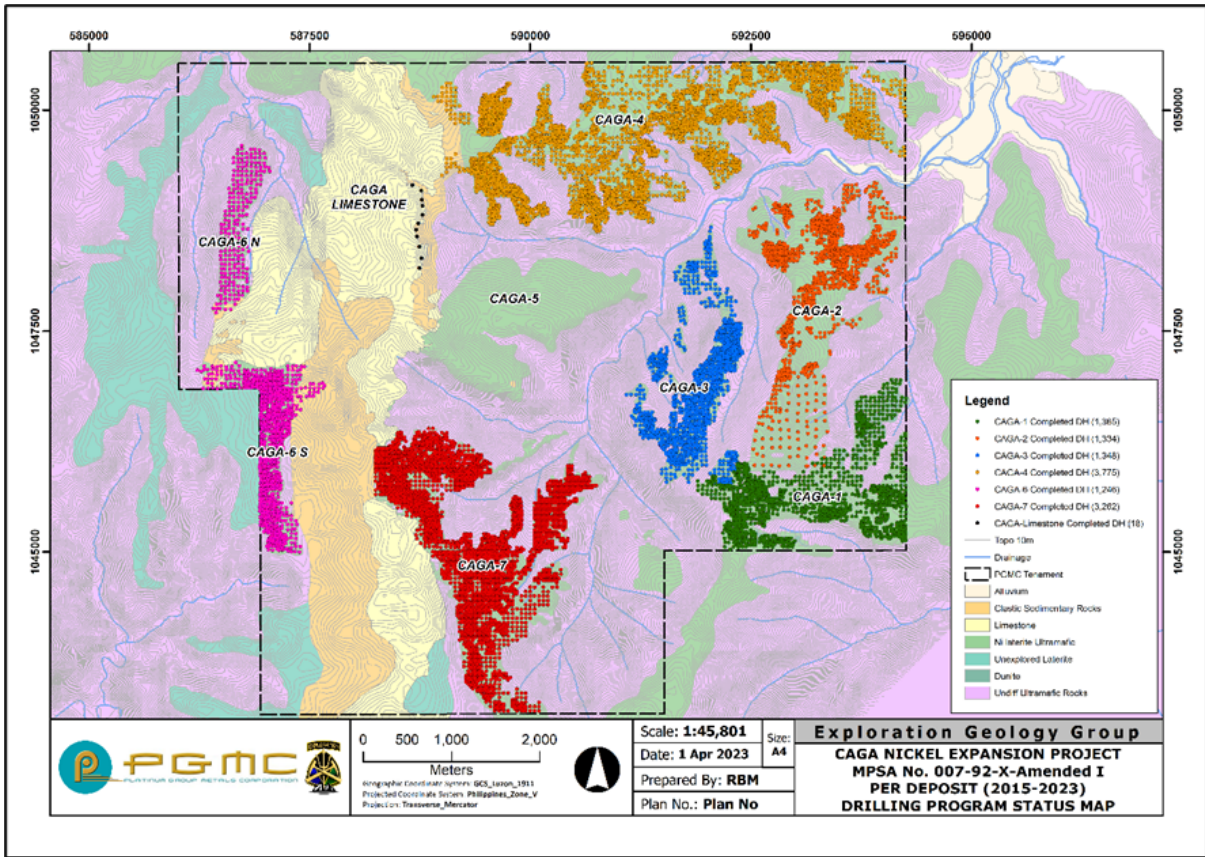
The main supplies that the Group and its service contractors require to operate its business include diesel fuel, tires, and spare parts for its mining equipment. The Group buys diesel fuel from Petron Corporation and Phoenix Petroleum Philippines, Inc. and heavy mining equipment such as bulldozers, road graders, excavators, and dump trucks from three (3) manufacturers, Komatsu, Caterpillar and Volvo, through their Philippine distributors Maxima Machineries, Inc., Monark Equipment Corporation and Civic Merchandising, Inc. In addition, the Group has its own fleet of barges. The Group's contractors provide their own mining equipment, supplies, and manpower necessary for the mining operations. The Group believes that there are a number of alternative suppliers for all of its requirements.

Exploration and Development

Nickel Resources

The Group has an extensive portfolio of exploration areas and programs encompassing both brownfield exploration, which consists of activities at its existing mine operations and identified deposits to extend resource boundaries and to upgrade mineral resources to ore reserves; and a greenfield exploration, which involves exploring and delineating additional nickel laterite deposits in its existing properties. The Group has sixteen (16) available drill rigs designed specifically for drilling near surface lateritic deposits in a quick, efficient and economical manner for use in its exploration drilling. The Group also has an experienced pool of geologists and a laboratory at its respective mine sites to conduct assaying of samples as required.

The figures below depict the extent of the Group's exploration program from 2015 to 2021, covering the mineral deposit areas at the existing mine as well as the expansion areas. Additionally, the figures also showcase the drill holes completed in 2022 at CAGA-1, CAGA-2, CAGA-3, CAGA-4, and CAGA-7 (combined CAGA-7 and Higdon Deposit). Unfortunately, the COVID-19 pandemic in 2020 and the security risk encountered in the CAGA-7 area in 2021 caused significant delays in the exploration efforts. Consequently, the overall exploration drilling program will now conclude by 2023. Thereafter, only recurring confirmatory and production drilling will be undertaken.



Cagdianao - Deposit Areas

The Cagdianao Mine has a total area of 4,376 hectares and the Group is currently operating the deposits in CAGA 1, 2, 3 and 4. The Group's rights to the property are governed by the MPSA, and the ECC allows PGMC to produce 5.0 million DMT or 7.7 million WMT of ore each year. As of October 15, 2022, the Group's Cagdianao Mine had measured and indicated mineral resources of 72.007 million DMT with an average grade of 1.1% nickel and 30.3% iron (see table below).

Material Type	Deposit	PMRC Classification	Volume	Quantity (Tonnes)	%Ni	%Fe	Dry Bulk Density
Combined HG, MG, LG	Combined CAGA-1 to 7	Measured	38,030,490	44,307,000	1.1	30.8	1.2
		Indicated	23,466,109	27,700,000	1.1	29.4	1.2
		Total	61,496,599	72,007,000	1.1	30.3	1.2

Inferred mineral resources are estimated at 24.864 million DMT at an average grade of 1.1% nickel and 28.4% iron as estimated by the PMRC Competent Person (CP) and these are programmed for infill drilling to upgrade to indicated or measured categories. The CAGA mine has an estimated remaining mine life of about ten (10) years which may be extended after completion of the proposed exploration program by 2023.

Exploration plans through core drilling are focused on the upgrading of inferred resources up to measured resources, on the CAGAs 1 to 4 and new CAGAs 6 and 7 deposit areas.

Additional Exploration

Possible potential areas were previously interpreted at the peripheral extensions of the identified deposits (CAGA-1 to CAGA-5), at the Western Area which include CAGA-6 and CAGA-7. These are areas of moderate, isolated laterite profiles which may become feasible to mine in conjunction with the existing CAGA deposits and were included in the overall drilling program which has been on-going since 2015 and is scheduled for completion by 2023.

With the objective of increasing the resource inventory, PGMC, has started implementing an exploration drilling program to delineate and assess these other potential areas beginning with CAGA-1, CAGA-2, CAGA-3, CAGA-4, CAGA-6N, CAGA-6S, and CAGA-7 way back at the last quarter of 2015 until its pre-completion by December 2022 (under various drilling campaigns). CAGA-5 exploration drilling was deferred due to pending local Indigenous People (IP) issues.

For 2022-2023, this drilling program will continue with the production drilling in CAGA-1, CAGA-2, CAGA-3, and CAGA-4 (recurring activity at active mining areas) and exploration drilling in CAGA-6N and CAGA-7 (unmined areas).

The Proposed Drilling Programs and Exploration Costs (2021- 2023) are given below.

Year	2022				2023				Category
	Completed DH	Meterage	Cost	Status	Proposed DH	Projected Meterage	Projected Cost	Status	
CAGA-1	288	3,135.70	₱7,839,250.00	Completed	44	500.00	₱1,480,000.00	On-going	Production
CAGA-2	51	516.10	₱1,290,250.00	Completed	73	750.00	₱2,456,000.00	On-going	Production
CAGA-3	62	670.50	₱1,676,250.00	Completed	40	450.00	₱1,345,000.00	On-going	Production
CAGA-4	40	364.10	₱910,250.00	Completed	220	2,000.00	₱7,400,000.00	On-going	Production
CAGA-5	-	-	-	Deferred	-	-	-	Deferred	
CAGA-6S	-	-	-	-	-	-	-	-	
CAGA-6N	-	-	-	-	492	7,380.00	₱20,077,000.00	On-going	Exploration
CAGA-7	1,070	12,478.10	₱31,195,250.00	Completed	-	-	-	-	
CAGA-Limestone	-	-	-	-	12	1,000.00	₱5,500,000.00	On-going	Exploration
Total	1,511	17,164.50	₱42,911,250.00		881	12,080,000.00	₱38,258,000.00		

Note: Cost Multiplier: Ni-Laterite at Php 2,700.00 to 3,400.00/m and Limestone at Php 5,500.00/m (w/ VAT).

Notes:

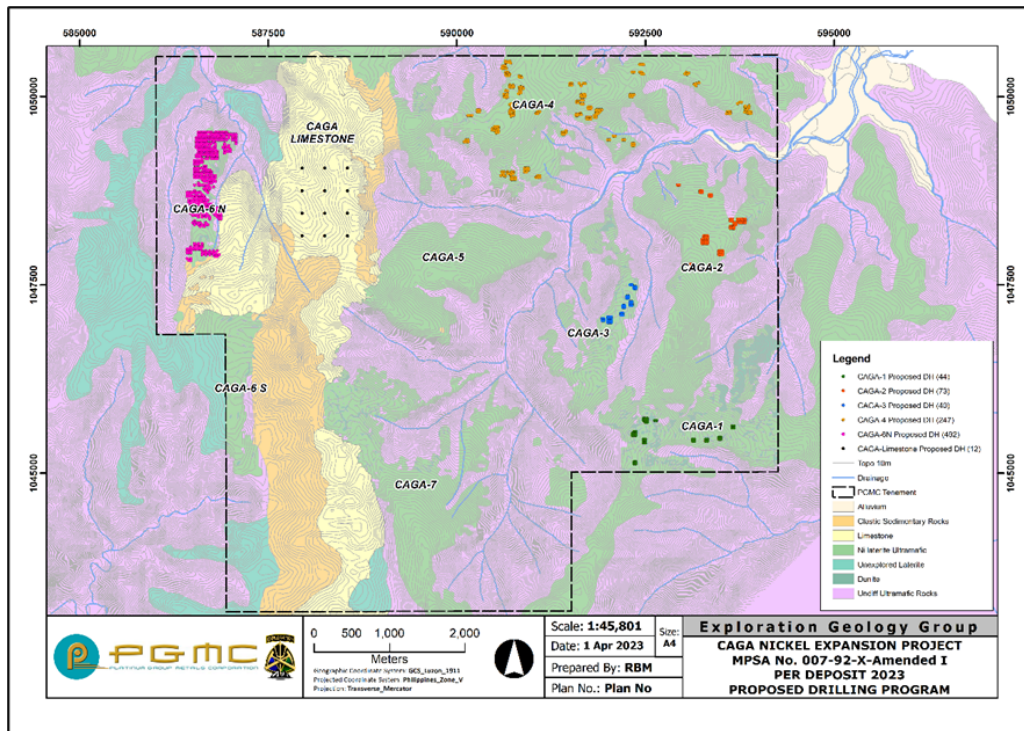
1. CAGA-1 to CAGA-4 drilling programs are confirmatory/production drill holes which are recurring as mining proceeds.
2. CAGA-6N and CAGA-7 (integrated with HIGDON) infill drilling programs are at 25x25 grids for resource classification upgrade to indicated and measured categories.
3. No significant resource increase is anticipated from the above proposed drilling programs since all drill holes are confirmatory and production drill holes within blocked resources.
4. Above drilling program will take 1 to 1.5 years to complete.

PGMC conducted extensive exploration drilling at its MPSA starting in 2015 covering CAGAs 1-4, 6-7 and extending further south into a new area (Higdon) which eventually was evaluated in June 2021 as the overall PGMC-CNEP. The various yearly drilling campaigns are used as the basis for updates on mineral resource estimates starting in 2016 and every year thereafter to date. The latest CP Resource Update was conducted on 15 October 2022 with the completion of some 441 production drill holes with 4,686.40 meters from CAGA-1 to 4 and exploration drill holes from CAGA-7 with additional 1,070 drill holes at 12,478.10 meters. Although new data from the recent exploration drilling at CAGA-7 have been obtained, the mineral resource estimates from 15 October 2021 for CAGA-7 were used due to a lack of additional drill hole collar survey data. An update will be made once complete survey data is available.

The updated proposed exploration plan and budget for the CAGA mine and expansion area consider priority drilling based on deposit/prospect potential as presented in the Proposed PGMC-CNEP Exploration/Drilling Program 2021-2023. Drilling on each priority area includes drilling schemes as applicable:

- Scheme 1: Infill drilling at resource blocks to upgrade inferred resources to measured resources
- Scheme 2: Confirmatory/production drilling at mining blocks

The proposed drill holes are shown in the figure below.



As reviewed by the PMRC CP, the Group's proposed exploration programs are sufficient to adequately increase the Mineral Resource and Ore Reserve inventories, upgrade confidence levels of resource classifications and eventually extend the mine life of PGMC- CNEP.

Palawan - Deposit Areas

The Ipilan Mine covers a total area of 2,196 hectares, and the Group is currently operating the M1 deposit. The Group's rights to the property are subject to the MPSA, and the ECC allows them to produce either 1.0 million DMT or 1.5 million WMT of ore annually. As of October 14, 2014, the Ipilan Mine had measured and indicated mineral resources of 50.006 million DMT, with an average grade of 1.2% nickel and 24.0% iron (see table below).

Material Type	Deposit	PMRC Classification	Quantity (Tonnes)	%Ni	%Fe	Dry Bulk Density
Combined HG, MG, LG	M1	Measured	20,774,000	1.3	24.3	1.2
		Indicated	29,232,000	1.1	23.7	1.2
		Total	50,006,000	1.2	24.0	1.2

The PMRC CP has estimated that there are approximately 6.978 million DMT of inferred mineral resources at the INC mine, with an average grade of 1.1% nickel and 17.1% iron. These resources are planned to undergo infill drilling in order to improve their category to indicated or measured. The INC mine is expected to have a life of mine (LoM) of 10-12 years, which could be extended once the proposed exploration program is completed.

The current exploration strategy involves ore definition drilling to upgrade the inferred resources to measured resources in the M1 deposit area, as well as exploration drilling in the recently identified M1-S, M2, and M3 prospect areas.

The Company launched an extensive exploration campaign at the M1 Deposit within the Palawan mineral deposit areas to extend the mine's lifespan and boost its resource and reserve inventory last January 2022. This was done in line with recommendations contained in a technical report from 2014. Additionally, M1 concluded its deposit confirmation and initial production drilling program in the same year, comprising a total of 401 drill holes at a depth of 4,819.95 meters. This program consisted of 151 confirmatory drill holes at 1,723.75 meters and 250 production drill holes at 3,096.20 meters.

The diagram presented on the next page depicts the extent of coverage of the Group's Iplan mineral deposit, with a specific focus on the M1 deposit during its deposit confirmatory and initial production drilling program in 2022.

Additional Exploration

Previous interpretations have suggested the existence of potential areas at the peripheries of the M1 deposit, as well as in the Northern tenement areas comprising M2, M3, and M1-S located to the South of M1. These areas exhibit moderate, isolated laterite profiles that may become economically viable for mining in conjunction with the current M1 deposit. Consequently, they have been incorporated into the comprehensive drilling program, which commenced in 2022 and is expected to conclude in 2023 for its initial phase.

The Proposed Drilling Programs and Exploration Costs (2022- 2023) are given below.

Year	2022				2023				Category
	Completed DH	Meterage	Cost	Status	Proposed DH	Projected Meterage	Projected Cost	Status	
M1	401	4,819.95	₱12,049,875.00	Completed	3,104	27,936.00	₱84,367,000.00	Deferred	In-fill
M1-S					610	7,320.00	₱24,584,000.00	On-going	Exploration
M2					495	5,940.00	₱20,009,000.00	On-going	Exploration
M3					450	5,400.00	₱18,469,000.00	On-going	Exploration
Total	401	4,819.95	₱12,049,875.00		4,659	46,596.00	₱147,429,000.00		

Note: Cost Multiplier: Ni-Laterite at Php3,000.00/m.

The PMRC CP has reviewed the Company's proposed exploration programs and deemed them sufficient to effectively increase the Mineral Resource and Ore Reserve inventories, enhance the confidence levels of resource classifications, and ultimately extend the mine life of Iplan Nickel Project.

Environment and Rehabilitation

The Group adheres to the principles and practices of sustainable development. In addition, the Group's mining operations are subject to stringent and extensive environmental regulations. As such,

the Group is deeply committed to implementing best practices in managing the environmental impact of its operations, from exploration to rehabilitation. Upon cessation of the Group's mining operations, it plans to restore its mining properties to their pre-mining conditions or to develop alternative productive land uses for the benefit of the affected communities.

The Implementing Rules and Regulations of the Philippine Mining Act require the Group to contribute 3.0% to 5.0% of its direct mining costs for the implementation of the annual Environmental Protection and Enhancement Program (EPEP). Activities undertaken under its annual EPEP include among others: rehabilitation of mine disturbed areas, reforestation, construction and/or maintenance of environmental facilities, land resources management, solid and hazardous waste management, air quality management, water resources quality and management, noise abatement and conservation values. In 2020, 2021 and 2022, the Group spent approximately ₱84.7 million, ₱99.2 million, and ₱144.7 million, respectively, on its EPEP.

The Group's compliance with ECC conditions and performance of its commitments under its annual EPEP are subject to monitoring and evaluation of the Multipartite Monitoring Team (MMT). The MMT is a multi-sector group headed by a representative from the MGB and representatives of local government units, other government agencies, non-government organizations, people's organizations, the church sector and the Group. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. As at December 31, 2022, total rehabilitation and monitoring trust funds amounted to ₱11.3 million. This amount complies with the minimum requirement under the law.

The operating mine of SIRC is representative of mature surface mining operations, with disturbed areas that require on-going restoration and rehabilitation to re-establish the natural vegetation, as well as to reduce the significant visual impact of the mining operations. The mine has an approved EPEP and secured the required operating permits to construct and operate siltation control facilities. Consistent with the EPEP, in early 2014, the Cagdianao mine received an environmental award under its "Adopt a River Program" for its protection of the Kinalablaban river, which is within the area of operations in the Cagdianao Mine.

The necessity to segregate each material classification and to partially reduce moisture content through solar drying involves a fairly wide open area exposed to soil erosion that will cause sediment loadings and deposition in natural drainages feeding to the ocean. To mitigate such sediment loadings from reaching the ocean, all operations constructed siltation ponds, most of them in series, to catch and contain as much run-off as possible.

The mining method, considering the geographic, geological, climatic and other relevant attributes, is not expected to lead to significant or irreversible adverse impacts to the environment provided that environmental monitoring, mitigation and rehabilitation measures are properly developed and implemented. The environmental management personnel of our mine are well-qualified and have many years of relevant experience.

Compliance with the ECC and implementation of EPEP of all sites are audited quarterly by the MMT.

The DENR requires all operating mines to submit their Final Mine Rehabilitation and Decommissioning Plan (FMRDP) for evaluation and approval. The FMRDP outlines the Group's plan to restore its mining properties and includes activities such as dismantling and demolition of infrastructures, removal of residual materials and remediation of disturbed areas. The Group periodically book an accretion expense and corresponding provision for mine rehabilitation and decommissioning. The basis for this expense/liability is the Group's latest FMRDP. As of December 31, 2021 and 2022, the Group recognized a provision for mine rehabilitation and decommissioning of ₱305.4 million and ₱261.0 million, respectively. In addition, the mine is required to deposit annually a portion of the total FMRDP cost. The FMRDP shall be deposited as a trust fund in a Government

depository bank and shall be used solely for the implementation of the approved FMRDP. Annual cash provisions shall be made by the mining companies to a FMRDP fund based on the formula provided in DENR Administrative Order No. 2005-07. As of December 31, 2022, the Company has trust fund deposits with Development Bank of the Philippines in the total amount of ₱367.0 million to comply with such requirements under the FMRDP. The Group is in compliance with such requirements in all material respects.

The DENR also requires all mining companies to secure ISO 14001 certification - Environmental Management System (EMS). This system ensures sufficient environmental funds are available to cover full mine rehabilitation even in the event of a premature closure. Through the years, the Group has embedded the ISO 14001 into the core system of its mining operations. The activities conducted in its operations must comply with the EMS procedures and the activity-specific work guidelines geared towards sound environmental management. The Group's adherence to the global environmental standards is evident by the sustained certification to the EMS standard by the ISO certifying company, Intertek.

Occupational Health and Safety

The Group is committed to providing safe and healthy working conditions to protect its employees from injuries and to prevent damage to its properties and equipment.

Health and safety are integral parts of the Group's personnel policies. Its comprehensive safety program is designed to minimize health risks 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 provides and strictly requires the utilization of a comprehensive suite of protective equipment and safety devices for employees and visitors. First aid and emergency equipment are installed strategically in its work areas. Safety in-house inspections are regularly conducted to identify hazards and unsafe conditions or practices. Managers and supervisors regularly conduct safety briefings and meetings. Safety orientation training is also conducted for new employees and emergency preparedness training and drills are conducted periodically.

The Group has a rigorous system of investigating accidents and near-misses to understand causes and implement corrective measures. The Group records and monitors lost time injuries, medically treated injuries, minor injuries, and non-injury incidents that include serious incidents, and property damage and their frequency rates.

Since the onset of the COVID-19 pandemic, the Group has been working to ensure that its workforce is safe and healthy and that mining stays solid and viable. To prevent the COVID-19 virus from spreading, the Group has eliminated needless travels and replaced in-person meetings with virtual meetings. The Group has also been implementing basic measures such as social distancing, shutting down common areas, donning face masks, and conducting RT-PCR tests on all returning and newly hired employees as applicable. The Group has its own buildings, medical equipment, and a team of qualified corporate doctors, nurses, and first-aid responders.

While we recognize that vaccination is not required, we believe it would be beneficial as we all strive for a safe and healthy "new normal". In fact, the Group was the one who started the vaccination program and purchased 400 doses of COVID-19 vaccines for its regular employees to ensure worker protection against COVID-19. This program was made possible by our strong collaboration with the Fil-Chinese Chamber of Commerce, the Rotary Club of Surigao City, and the Surigao Medical Center.

Effective communication and robust health and safety-oriented culture, which are inherent in the mining sector, have aided the Group's mining operations in overcoming the pandemic with little production disruption and job loss. The Group's response has been fast and coordinated, with two (2)

main goals in mind: protecting employees' and local communities' health and safety and establishing the basis for longer-term economic recovery.

In addition, the Group's Cagdianao Mine has an OH&S Management System, ISO 45001:2018 certified, which enables the organization to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance.

Social Development and Management Program (SDMP) and Corporate Social Responsibility (CSR)

General

We believe that we have a corporate social responsibility to protect and care for the people and the environment affected by our operations and attempt to improve the welfare and quality of life in the communities in which we operate. We believe that we contribute to the sustainable economic development of these communities and, more broadly, the nation.

The Philippine Mining Act contains specific provisions with respect to social development and management programs. The provisions require all mining companies to assist in: (a) the development of local communities to promote the general welfare of the local inhabitants; and (b) the development of mining technology and geosciences as well as manpower training and development. The DENR Department Order (DAO) No. 2010-21 which served as the Implementing Rules and Regulations of the Philippine Mining Act, mandates all mining companies to allocate annually a minimum of 1.5% of the total operating costs for such purposes. 75.0% of the 1.5% total operating costs shall be apportioned for the development of the Host and Neighboring Communities program, 15.0% of the 1.5% total operating costs shall be apportioned for the Promotion of Public Awareness and Education on Mining Technology and Geosciences program and the remaining 10.0% of the 1.5% total operating costs shall be used to assist in the Development of Mining Technology and Geosciences program as well as research and studies, scholarship programs for mining and environmental courses, manpower training and development.

Furthermore, the SDMP of the Group aims to address, if not all, the seventeen (17) Sustainable Development Goals (SDGs) of the United Nations (UN). Guided with the statutory responsibilities of the mining industry stipulated in DAO 2010-21, the SDMP shall respond to the community's dire needs, particularly the marginalized and the poorest sectors of society. Since its implementation, the Group has already spent ₱416.5 million for the development of its host and neighboring communities. The Group's community change agents underwent consultations to ensure that about 200 programs being implemented annually are aligned with the UN's roadmap towards eradicating environmental challenges and social ills. INC has a total of ₱20.9 million spending budget used to assist in the development and needs of the community. Continuous and strengthened Information, Education, and Communication (IEC) campaigns, promotions and initiatives are being implemented to debunk misinformations and propagate facts about mining.

Community development relations and community organizers assist us in building and establishing partnerships within the communities in which we operate, formulating programs that address the needs of such communities and also enable us to immediately address local issues and concerns. Projects for education, health, livelihood, infrastructure assistance and other social services are all designed and implemented in close coordination with relevant national-lined agencies and local government units and communities. The Representative of Host and Neighboring Communities (RHNC), which is composed of representatives from local government units, government agencies, non-governmental organizations, peoples organizations, religious sectors (Catholic and Non-Catholic), and us, regularly monitors our performance in implementing our SDMP.

Education

We believe that quality education is the best tool to fight poverty. We award scholarships and other forms of aid to deserving students, including students who are members of indigenous groups, so as to improve their education, job opportunities and their ability to support their families. These scholarships and other forms of aid include payment of tuition, stipend allowances and provision of school supplies, learning materials and uniforms. Education projects also involve the improvement of school facilities, provision of educational materials to schools, teachers' training programs and payment of teachers' honoraria. At our Cagdianao Mine, we have constructed fourteen (14) classroom school buildings for Hayanggabon Elementary School. The school provides free education and school materials to about 549 students from barangay Hayanggabon. In addition, we provided Barangay Cagdianao a brand new school bus to fetch and ferry students from residence to school. We also provide salaries for six (6) teachers who work with public schools in the communities where our Cagdianao Mine is located. About 144 deserving youth availed in the College Scholarship Program coming from the 14 barangays in the town of Claver. We have also initiated a school to school campaign promoting knowledge in mining and sponsorship for inter-school educational competitions and supporting the Department of Education's annual Brigada Eskwela.

At our Iplan Mine, we have aided the education of 85 students who are among the less fortunate families from the Host and Neighboring Communities (HNC) - Bgy. Calasaguen, Maasin, Mambalot and Bgy. Iplan. Students from the IP Community are also receiving educational assistance. The Iplan Mine also extends additional incentives to our para teachers and religious teachers.

Notably, a mining community adopted and supported schools have experienced an increased number of enrollees compared to the past years.

Health

Affordable and quality health care is provided to local community members, in addition to our employees and their dependents. We conduct medical missions designed to address the basic medical needs of local community members, including indigenous people and the indigent, where free medicine, basic dental services and ambulance service facilities are provided. Our health care projects involve the construction and improvement of Barangay health centers, provision of sanitation latrines for households, and provision of salary to local health workers, an ambulance driver, midwives, nurses and a community doctor. Outpatients are being treated by the medical team and medicine and multivitamins are provided for free. For 2022, a brand new service ambulance was provided in barangay Hayanggabon where constituents can avail freely during emergency situations. At our Cagdianao Mine, we support maternity clinics, where pregnant women as well as other members of the immediate community are being served with free medicines and services.

Medical, optical and dental missions were also conducted to serve the health concerns of the community. Also, INC and the community values the efforts of our Community Volunteer Health Workers (CVHW), thus additional incentives for them had been handed in. Our host and neighboring communities are enjoying the benefit of the free medical consultation being served by our Community Doctor, free medicines are also given to the patients. To assist in the malnutrition issues in our HNC, we conducted feeding programs. Our community ambulance is serving the emergency call of the community.

The conduct of free medical, optical and dental consultations and services is the key element in the Group's social commitment that aims to improve the health condition of the communities and raise awareness on healthy living and prevention from diseases.

Livelihood and Training

We organize cooperatives and people's organization (PO) from our impact and non-impact communities and provide them with social enterprise projects such as egg-laying & poultry projects, seedling production and nursery, agri-farming, woodcraft making, chips making, handicraft/weaving production, moringa "malunggay" powder/tea production and tshirt-tarpaulin printing. We regularly provide local community organizations with technical and financial assistance in the form of seminars, study tours, financial literacy classes, leadership and management training programs, capital funding, raw materials and equipment for production, and farm inputs for crop production.

To be able to address the sustainability aspect of the organized livelihood projects, we partnered with the Department of Trade and Industry (DTI) to collaborate in their national program, OTOP PH (One Town, One Product) to establish the second OTOP Hub in the province of Surigao del Norte thereby addressing the marketing aspect for all processed output of SDMP. The PO also were the beneficiary of the jointly funded OTOP Benchmarking CARAGA-wide as part of their preparation in operating the pasalubong center. We also tapped DTI to provide soft skills training such as Entrepreneurship, Visual Merchandising, Financial Management and Values Formation.

We also work with the Technical Education and Skills Development Authority ("TESDA") to provide technical education and skills development to residents of neighboring communities. We constructed a skills training center and provided equipment that is utilized by TESDA participants and trainers. We also assisted the graduates of the skills training center to establish an auto repair shop, providing employment to some of the graduates.

In addition, we established food security projects such as communal gardening, egg machines and aquaculture to address food insufficiency, encourage healthier food options and provide extra income to the project-beneficiaries especially during the time of COVID-19 health pandemic.

In the pursuit of sustainability and resilient growth of the community, our Ipilan Mine provided livelihood programs to farmers and fisherfolk in promoting food security and agri-farm products. We responded to the needs of the people's organization by providing farming equipment such as rice harvester, tractor, and fishing boat and even for food processing. Whilst non-food livelihood related programs were handicraft production, tailoring and dress-making as a demand for the basic necessities.

We believe that motivating our people's organization or individual workforce in the society and giving them the tools and training that they need to sharpen their skills will prepare them for next challenges not just in the realm but to improve their own lives and their family.

Infrastructure Assistance

We undertake infrastructure projects in local communities, including production and display areas of social enterprise products, water system projects, construction of new school building and improvement of buildings (such as barangay halls, daycare centers, churches and schools), road improvements and electrification projects as part of our SDMP. These projects are implemented with the involvement of community members so as to foster cooperation and teamwork and impart a sense of ownership among them.

As we aim to be the partner for community development, INC supplemented some of the infrastructural needs of our HNC such as solar lights, road gravelling, construction of public comfort rooms and repair of Solar dryer.

At our Cagdianao Mine, we funded various infrastructure projects such as the construction of housing for indigent members of the community, through the Gawad Kalinga program, construction of sea walls to protect the neighboring communities from the effects of sea erosion, construction of a multi-purpose community hall in Barangay Cagdianao, construction of some barangay road and churches, procurement of materials for the electrification of individual households, construction of water processing stations and construction of the Cagdianao public markets. Another Knowledge Center Building was also established for the community's access to learning and promoting mining operations.

Moreover, PGMC also provided and constructed shallow water pumps, a weir dam and an office building at the local water processing stations to support the local water supply system in the nearby communities.

Other Social Services

We actively participate in, and provide financial and non-financial assistance to, local cultural celebrations, sports competitions and other socio-cultural activities. We also assist with soliciting support from various institutions like the academe, the religious sector, local groups and government agencies.

Working Beyond Compliance

It has always been the Group's core belief that success lies in the continuous improvement of all the aspects of its operations. On top of its SDMP, the Group has been very active in extending the much-needed support to all people who were severely affected by the pandemic. To date, over ₱39.0 million was spent on the Group's COVID-19 response efforts. The Group continues to work closely with various local government units in helping communities combat the spread of the virus and providing relief during this crisis by donating personal protective equipment (PPE) supplies, test kits, disinfectants, vitamins, medical equipment, rice, and other essential goods, as well as conducting medical services and participating in building a molecular laboratory in Surigao and a COVID-19 test center in Palawan. In addition, the Group spent over ₱14.0 million in its relief efforts for those severely affected by the super typhoon Odette.

Another noteworthy project of the Group is the Food Security Project with an allocated budget over ₱9 million, a major program occurring during the height of Covid-19 pandemic that aims to provide its beneficiaries food on the table and extra income. This program has been running successfully and recorded notable outcomes for taking a holistic approach in supporting communities, including giving them tools and the know-how in starting egg machines, aquaculture, and communal gardening enterprises.

Moreover, the Group received commendations from the local government units and community recognizing its exemplary dedication in upholding its commitment to the community and environmental stewardship. PGMC has been a perennial Presidential Mineral Industry Award awardee for its exemplary performance on environment, community development initiatives and the sustained safety and health culture. This proves the readiness of the Group's best practices in surface mining operations. All these hard-earned achievements have pole-vaulted from the rank and file employees to top management by working hand-in-hand from Platinum Awardee to Presidential Awardee.

INC spent ₱3.9 million worth of rice assistance to aid the community from the impairment of COVID-19. During the flooding incidents in the Municipality of Brooke's Point, Palawan last December 2022 and January 2023, INC rendered assistance in the rescue operations, road and river clearing and gave relief assistance to the local government unit and to our HNC.

Employees

As of December 31, 2022, the Group has 1,103 employees. Out of which, 78 are employed at the Group's head office, while the remaining 174 are employed in its mining operations in its existing mine in Cagdianao and 851 are employed in its existing mine in Ipilan, Palawan. Of these 287 are involved in mining operations, engineering, and mine planning, 241 are employed in grade and quality control, 25 are handling port operations, 271 are taking care of the environment, health, and safety concerns of the Group, and 201 are performing administrative, human resource, accounting & finance, maintenance and mechanic functions, mine security, audit, and the office of the vice president. The Group has employed the best all-Filipino professional and technical personnel. Further, there are five (5) technical personnel who are members of the Group's senior and junior management.

As of December 31, 2022, the Group's service contractors had deployed an aggregate workforce of 1,241 employees at its Cagdianao site and 152 for Ipilan Palawan site. In addition, the Group has chartered five (5) LCTs utilized for shipside loading operations and has about 285 personnel.

Although historically the Group has not experienced any work stoppages, strikes or industrial actions, 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. As the Group's business grows, it will require additional key financial, administrative and mining personnel as well as additional operations staff.

There are no labor unions within the Company and its subsidiaries.

As of December 31, 2022, the following is the breakdown of the Group's employees:

POSITION LEVEL	HEAD OFFICE (PGMC H.O, GFNI H.O, Ipilan H.O and PCSSC H.O)			IPILAN MINE SITE (Ipilan Palawan)				TOTAL FOR PALAWAN MINESITE	CAGDIANAO MINE SITE (PGMC Surigao and PCSSC Surigao)			TOTAL FOR CAGDIANAO	GRAND TOTAL	
	R	P	S	R	P	S	PB		R	P	S			
Executives	7			7				0	1			1	8	
Managerial	15			15	8			8	11			11	34	
Supervisory	15	2		17	16	18		34	68	2		70	121	
Technical	5	1		6	8	1		9	45	13		58	73	
Rank and File	31	2		33	1		752	47	800	6	28	34	867	
TOTAL	73	5		78	33	19	752	47	851	131	15	28	174	1103

Figure was based on manpower compliment of PGMC Head Office, GFNI Head Office, PCSSC Head Office, Ipilan Palawan and Head Office, PGMC Surigao, PCSSC Surigao

Legend:

- R - Regular
- P - Probationary
- S - Seasonal
- PB - Project-Based

For the mining season ended 2022, the Group had an average of 1,393 employees and its service contractors had deployed an average aggregate workforce of 1,241 employees at its Cagdianao site and 152 in Ipilan Palawan site. The Group does not currently anticipate any significant increase or

decrease in the number or allocation of its employees at its Cagdianao Mine for the 2023 mining season.

Transactions with Related Parties

Please refer to Note 30 of the audited consolidated financial statements as of December 31, 2022.

Risks Related to Our Business and Industry

Our business is sensitive to the volatility of nickel prices, which can result in volatility in our earnings.

Our sale of nickel ore is dependent on the world market price of nickel in general, and the market price of nickel in China in particular. The sales price of saprolite ore and limonite ore is correlated with the world market price of nickel. The nickel ore price is subject to volatile price movements over time and is affected by numerous factors that are beyond our control. These factors include global supply and demand; regulatory policies of other nickel ore producing countries; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the US\$; 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 mine in various regions, including Canada, Russia, Australia, South Africa, South America and New Caledonia, and resulted in added production capacity throughout the industry worldwide. A generally increasing trend in nickel prices since early 2003 has encouraged new or existing international nickel ore 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 we receive under our nickel ore supply agreements.

If the sales price of our nickel ore falls below our production costs, we will sustain losses and, if those losses continue, we may curtail or suspend some or all of our mining and exploration activities. We 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 our nickel reserves and resources.

Nickel mining is subject to a number of inherent risks such as natural catastrophes that are beyond our control.

Our mining operations in the CAGA Mine are usually conducted during the period from April to October of each year where the weather is fair in the said area, which is different from the rainfall cycle in Luzon. A disruption of the weather cycle will affect our mining operations in the CAGA Mine.

Our mining operations are influenced by changing conditions that can affect production levels and costs for varying periods, materially disrupt our operations, and as a result, diminish our revenues and profitability. Prolonged disruption of production at our mine or transportation of our nickel ore to customers would result in an increase in our costs and a decrease in our revenues and profitability, which could have a material adverse effect on our business, results of operations and financial condition. The inability to obtain equipment necessary to conduct our 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 our mine, the resulting number of days we are able to mine and our operating results.

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

- Inclement weather conditions, including a prolonged monsoon season;
- Equipment failures and unexpected maintenance problems;
- Interruption of critical supplies, including spare parts and fuel;
- 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.

Between January 2017 and March 2022, the province of Surigao del Norte was shaken by four (4) quakes of magnitude 6.0 or above, 44 quakes between 5.0 and 6.0, 268 quakes between 4.0 and 5.0, 1,429 quakes between 3.0 and 4.0, and 5,383 quakes between 2.0 and 3.0. There were also 1,227 quakes below magnitude 2.0. The strongest earthquake recorded was on February 10, 2017 with an estimated magnitude of 6.5 recorded at Philippine Sea 4.6 km North of Surigao City. In addition, on December 16, 2021, the province of Surigao del Norte was hit by super typhoon Odette. After a thorough inspection, the CAGA Mine was not significantly affected by these natural catastrophes. All safety systems and protocols were observed. There were no reported injuries among employees and the mining facilities of the Group and infrastructure surrounding the area sustained no major damage.

Also, the loading/unloading dock facilities in our CAGA Mine are built on reclaimed land. Earthquakes, tidal waves and other natural calamities may disturb the ground conditions where said dock facilities are located.

In addition, our Palawan Mine experienced many events of extreme rainfall brought by the northeast monsoon which caused flooding in most low-lying areas of Southern Palawan on December 26, 2022, including the areas where the secondary stockyards are located. Owing to the established flood control measures of the Group, the mine and mining facilities were not significantly affected by this flooding.

The realization of any of these risks could result in damage to our mining properties, nickel ore production or transportation facilities, personal injury or death, environmental damage to our properties, the properties of others or the land or marine environments, delays in mining ore or in the transportation of ore, monetary losses and potential legal liability. Surface mining and related activities present risks of injury to personnel and damage to equipment.

Failure to obtain, sustain or renew our mineral agreements, operating agreements, currently outstanding approvals and permits and other regulatory approvals, permits and licenses necessary for our business could have an adverse effect on our business, results of operations, and financial condition.

We rely on regulatory approvals, permits, licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct our mining operations.

There is currently no centralized exchange for trading nickel ore and as a result, our failure to source purchasers of our nickel ore would materially and adversely affect our business, results of operations and financial condition.

Our business involves the production and sale of nickel ore. Nickel ore is not a finished metal product

and there is no established spot market where our product can be sold. We must sell our nickel ore through negotiated contractual arrangements with third parties. We may not be able to find purchasers who will buy our nickel at terms acceptable to us, or at all. Accordingly, our failure to find purchasers for our nickel ore would have a material adverse effect on our business, results of operations and financial condition.

We encounter risks in the peace and order and security of our Operating Mines.

In order to mitigate the risks in the peace and order of our Cagdianao and Palawan Mines, we engage a third-party contractor to provide security services at our mine site. In addition, all of the service contractors also engage their own security force. All armory and equipment are provided for by the contractor itself, and comprehensive training is also provided to the security guards stationed at our mines by the security services contractor. Also, starting May 2019 up to now, we have engaged Renjamel Security Agency to provide security services at our mine sites. The contract is automatically renewed every year, until a notice of termination is served to the other party.

In addition to our security force and that of our mining contractors, a Special Civilian Armed Auxiliary (SCAA) force of approximately 120 para-military trained personnel managed by the Philippine Army, are tasked with securing the perimeter of our mining operations. Under the Memorandum of Agreement of the Group with the Philippine Army, PGMC has the obligation to provide allowances, uniform and equipment, any claims arising from personal damages caused by or to any of the SCAA when the related injury or damage is incurred in the course of lawful performance of the SCAA's duty.

Each of the neighboring mining companies in the area of our mines also cooperates and shares information pertaining to the security situation in the vicinity.

We rely to a significant degree on third-party contractors and failure of any such contractor to comply with its contractual obligations or the loss of any such contractor's services could increase our costs or disrupt our operations and we may be held liable for costs or delays caused by them.

We depend upon independent third-party contractors to perform our mining operations including earthmoving, loading, transportation and certain other services at our Operating Mines for us. The performance of the independent third-party contractors may be constrained by labor disputes or actions, or damage to or failure of equipment and machinery or financial difficulties. In addition, failure by our contractors to comply with applicable laws could adversely affect our reputation.

In addition, there can be no assurance that our monitoring of the work and performance of our independent third-party contractors will be sufficient to control the quality of their work or their adherence to safety or environmental standards. In the event that our independent third-party contractors fail to meet the quality, safety, environmental, and other operating standards that are required by the relevant laws and regulations, our operations may suffer and we may be liable to third parties. In particular, given the dangers inherent with operating heavy machinery and mining activities, we cannot guarantee our current safety measures and monitoring activities could successfully prevent any accidents or casualties caused by the operation of our independent third-party contractors.

Furthermore, any contractual disputes with our contractors, the inability of any of our contractors to comply with their contractual obligations to us, including shipment volume guarantees, or our inability to maintain a cooperative relationship with any of our independent third-party contractors or obtain alternative providers on comparable or more favorable terms in a timely manner, or at all, may delay our production schedule and we may breach our supply contracts with our customers, any or all of which may substantially increase our costs and may have a material adverse effect on our business, results of operations, and financial condition.

Our reserve and resource estimates may not accurately reflect our nickel deposits, and inaccuracies or future reductions in our reserve or resource estimates could have an adverse impact on our 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 we will receive the price assumed in determining our 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 we believe that the reserve and resource estimates included in this report 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 proven 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 proven or probable reserves.

Our future exploration and development activities may not be successful, and, even if we make economic discoveries of nickel ore deposits, unexpected problems during the start-up phase of any new operations could have an adverse impact on our business, results of operations, and financial condition.

We can provide no assurance that our current exploration and development programs will result in profitable commercial mining operations or will replace production at our existing mining operations. Also, we 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, we 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. We also conduct feasibility studies that 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 our 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.

Fluctuations in transportation costs and disruptions in transportation could adversely affect the

demand for our nickel ore.

Transportation costs may 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 certain of our ore supply agreements, the customer is responsible for paying transportation costs including shipping and related insurance costs. Any future increases in freight costs could result in a significant decrease in the volume of nickel ore that customers outside the Philippines purchase from us.

We depend upon ships to deliver nickel ore to our 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.

Continued compliance with safety, health and environmental laws and regulations may adversely affect our business, results of operations, and financial condition.

We expend significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, collectively referred to as “laws”) drawn from a number of different jurisdictions. We anticipate that we 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 our exploration, operations or the cost or the viability of a particular project.

Our facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and our right to continue operating our facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in the interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on our business, results of operations, and financial condition. An unequal application and implementation of the laws and without due process will have an adverse effect on the Company.

Changes in, or more aggressive enforcement of laws and regulations could adversely impact our 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.

Further, there is a risk that mining laws and regulations could change and adversely impact our business. 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 our decision as to whether to continue to operate an existing mine, 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, we are unable to predict the ultimate cost of compliance with these requirements or their effect on operations should any of these increases or be modified in any material respect.

We are exposed to exchange rate fluctuations. In particular, fluctuations in the exchange rate between

the Philippine Peso and the US\$ could have an adverse effect on our results of operations and financial condition.

Our nickel ore sales are denominated in US\$ while some of our costs are incurred in Pesos. The appreciation of the Peso against the US\$ reduces our revenue in Peso terms. Accordingly, fluctuations in exchange rates can have an impact on our financial results. While our current policy is not to hedge our exposure to foreign currency exchange risk or invest in derivative instruments, the Company closely monitors the exchange rate fluctuations to determine if there is a need to hedge our exposure to foreign currency exchange risk or invest in derivative instruments.

Economic, political and other conditions in China, as well as government policies, could adversely affect our business and prospects.

Our business depends on the general economic conditions in China, as well as its political and social conditions. For the years ended December 31, 2020, 2021 and 2022, all our revenues were derived from sales of nickel ore to China. Since 2009, China has become the single largest market of nickel in the world. In 2020, the country accounted for 59% of the global primary nickel usage according to the International Nickel Study Group (INSG). By end-use, the stainless steel industry remained the most important nickel first-use market, accounting for more than 70% of nickel consumption. However, due to the impact of the COVID-19 pandemic, the proportion of demand accounted for by this industry has decreased since 2020. The rising nickel demand for electric vehicle (EV) batteries, on the other hand, has prompted this new industry to achieve an 11% market share of nickel consumption in 2021. According to the International Stainless Steel Forum (ISSF), stainless steel melt shop production rose 5.8% year on year to 58.3 million metric tons in 2022, after declining by 2.5% in 2020. Preliminary forecast numbers for global stainless steel consumption (subject to change) show an increase of 3% to 4% increase in 2023, demonstrating that stainless steel demand growth was solid in 2022, but is projected to be more modest in 2023. Meanwhile, global EV sales have remained high. In 2022, a total of 10.5 million new BEVs and PHEVs were delivered, representing a 55% increase over 2021. However, the regional growth pattern is changing. Following two years of rapid sales growth in Europe, EVs achieved just 15% growth in 2021 as a result of a weak overall vehicle markets and ongoing component shortages, which has been worsened by the war in Ukraine. EV sales in the United States and Canada climbed 48% year on year, despite a sluggish overall light vehicle market that fell by 8% in 2022. When compared to the second half of 2021, the same period in 2022 experienced a moderate recovery of auto markets. China's nickel ore consumption in 2022 was 49.04 million tons, a 2.06% decrease year over year. The consumption of medium and high grade nickel ore was 34.25 million tons, a 3.81% decrease year on year, while, consumption of low grade high iron nickel ore increased by 2.24% year on year to 14.78 million tons (excluding general carbon steel mill use). In the future, the increasing electrification of automobiles is expected to increase the demand for nickel in order to generate the required number of lithium batteries, which will drive the industry's share of the market.

The economy of China differs in many respects from the economies of most developed countries, including with respect to:

- The amount and degree of government involvement;
- Growth rate and degree of development;
- Government control over capital investment;
- Government control of foreign exchange; and
- Government allocation of resources.

The Chinese economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For approximately three (3) decades, the Chinese government has implemented economic reform measures to utilize market forces in the development of the economy. However, the Chinese government continues to play a significant role in regulating industries and the

economy through policy measures. Any political tension between the Chinese and Philippine governments may also have an adverse effect on our business and operations if such tension escalates and has effects on commerce and economic relations. For example, such tension may result in policy directives restricting free trade between China and the Philippines or increase in the cost of doing business between the two (2) countries, such as with respect to shipping and freight costs, which at present constitutes a significant competitive advantage for us against international competitors. We cannot predict the extent of any adverse effect on our current or future business, financial condition or results of operations that could be caused by any changes in Chinese economic, political or social conditions and in Chinese laws, regulations and policies.

Moreover, particularly related to our business, 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 our products and therefore reduce our revenue. In the event that the demand for our nickel ore from our Chinese customers materially decreases and we are unable to find new customers to replace these customers, our business, results of operations, and financial condition could be materially and adversely affected.

Government Regulations and Approvals

The Company relies on regulatory approvals, permits, licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct its mining operations.

Prior to its expiration, MPSA No. 007-92-X-SMR for the Cagdianao Mine, was renewed on June 21, 2016 for another twenty-five (25) years from its initial term ending January 12, 2017, or until February 14, 2042, subject to the same terms and conditions under the MPSA and existing laws, rules and regulations. On June 28, 2016, the contract area covered by the said MPSA was amended from the original 4,376.00 hectares to 5,219.5612 hectares by annexing a portion of the area covered by the application for EP denominated as EXPA-000101-XIII. Consequently, MPSA No. 007-92-X-SMR is redenominated as MPSA No. 007-92-X-SMR (Amended I). On February 2, 2023, the MGB confirmed that MPSA No. 007-92-X-SMR and the Operating Agreement between SIRC as "Claim Owner" and PGMC as "Operator" is valid and existing as of date.

For the Palawan Mine, the Philippine Government through the DENR has granted MPSA No. 017-93-IV to CNMEC on August 5, 1993, which was later approved by the President of the Republic of the Philippines on September 18, 1993, covering an area of 2,835.0600 hectares in the Municipality of Brooke's Point, Province of Palawan. The MPSA No. 017-93-IV was amended on April 10, 2000 to conform to the provisions of Republic Act No. 7942 and was redominated as MPSA No. 017-93-IV-as Amended-2000. The DENR, in an Order dated December 21, 2020, clarified that the effective date of MPSA No. 017-93-IV-as Amended-2000 shall be reckoned on April 10, 2020 and shall expire on April 10, 2025. INC is the Operator of CNMEC by virtue of the January 19, 2005 Operating Agreement that was approved by the MGB through an Order dated April 20, 2015. Also, per the approved Survey Plan dated December 13, 2016, the contract area of MPSA No. 017-93-IV-as Amended-2000 is 2,917.2743 hectares. On January 20, 2023, the MGB confirmed that MPSA No 017-93-IV-as Amended-2000 is valid and subsisting as of date.

The Company holds, or has applied for most of, the necessary regulatory approvals, licenses, permits, operating agreements and land access agreements to carry on the activities that it is conducting under applicable laws and regulations.

PROPERTIES

Mineral Properties

Cagdianao Mine

MPSA No. 007-92-X-SMR - On November 16, 2015, SIRC applied for the renewal of its MPSA and was approved for another twenty-five (25) year term on June 21, 2016. The renewed MPSA is valid until February 14, 2042. The MPSA covers an area of 4,376 hectares and is currently operating deposits CAGA 1, 2, 3 and 4.

The Cagdianao Mine is located in Sitio Kinalablaban, Barangay Cagdianao, Municipality of Claver, in the province of Surigao del Norte in the northeast corner of Mindanao island. The Cagdianao Mine is located within the Surigao Mineral Reservation and in a geological area known as the Surigao Laterite Domain, characterized by substantial deposits of both limonite and saprolite. It is accessible via domestic flights from Manila, Cebu, and other domestic locations, which can land either in Surigao City or Butuan City; Surigao City is approximately 89 kilometers, while Butuan City is approximately 170 kilometers away from our Cagdianao Mine. The mine is connected to two (2) separate pier facilities connecting to the mining operation via causeways, which facilitate the loading of ore and the unloading of supplies to and from ships anchored offshore in the Philippine Sea. The Cagdianao Mine also features extensive infrastructure to support the Group's mining operations, including stockyards, administration buildings, testing and sampling laboratory, staff accommodation and access roads.

Palawan Mine

MPSA No 017-93-IV-as Amended-2000 - On August 5, 1993, CNMEC was granted an MPSA covering an area of 2,835.0600 hectares. The MPSA was amended on April 10, 2000 and was redominated as MPSA No. 017-93-IV-as Amended-2000 and is valid until April 10, 2025. The MPSA is currently operating the M1 deposit.

The Palawan Mine is located in Barangays Maasin, Ipilan, Mambalot, and Calasaguen, Municipality of Brooke's Point in south-eastern Palawan. The southern part of the mine area where most laterite deposits can be found has gently-sloping, broad ridges and plateaus while the northern part is steeply rugged. The site is between approximately 75 meters to 500 meters in elevation. Drainage at the area is through the Filantropia River and Mambalot River. The Palawan Mine is located ten (10) kilometers from the coast (the position of the pier and causeway) and is approximately 175 kilometers by national road from Puerto Princesa City. Daily commercial air flights service Puerto Princesa from Manila and other major cities. The Palawan Mine also has ancillary facilities such as Mine office building, Environmental building and Nursery, Geology and Exploration Core house, QAQC laboratories, Safety and Health office, Warehouse, Motor Pool Maintenance workshop, Security building, Hazardous Waste facility, accommodation and mess hall facilities to support the Group's mining operations.

Mineral Resources and Reserves

Cagdianao Mine

Mineral resources and ore reserves at the Cagdianao Mine as estimated by the PMRC CP as at October 15, 2022 are shown in the tables in the next pages:

Statement of Mineral Resources for Total Nickel as of 15 October 2022 (Measured and Indicated)

Material Type	Deposit	PMRC Classification	Volume	Quantity (Tonnes)	%Ni	%Fe	Dry Bulk Density
Combined (High Grade, Medium Grade, Low Grade)	CAGA-1 (As of Oct 15 2022)	Measured	8,990,069	10,169,000	1.0	41.1	1.1
		Indicated	3,141,036	3,515,000	1.0	34.0	1.1
		Subtotal	12,131,105	13,684,000	1.0	39.2	1.1
	CAGA-2 (As of Oct 15, 2022)	Measured	5,482,500	6,986,000	1.2	24.5	1.3
		Indicated	4,235,830	5,423,000	1.0	29.6	1.3
		Subtotal	9,718,330	12,409,000	1.1	26.7	1.3
	CAGA-3 (As of Oct 15, 2022)	Measured	5,624,707	6,221,000	1.2	25.9	1.1
		Indicated	1,968,808	2,167,000	1.1	23.1	1.1
		Subtotal	7,593,515	8,388,000	1.2	25.1	1.1
	CAGA-4 (As of Oct 15, 2022)	Measured	8,336,866	10,523,000	1.2	24.0	1.3
		Indicated	4,221,005	5,328,000	1.2	24.8	1.3
		Subtotal	12,557,871	15,851,000	1.2	24.2	1.3
	CAGA-5 (Unmined)*	Measured	1,155,038	1,386,000	1.0	45.7	1.2
		Indicated	1,415,964	1,699,000	1.0	22.7	1.2
		Subtotal	2,571,002	3,085,000	1.0	33.0	1.2
	CAGA-6N (Unmined)*	Measured	112,735	156,000	0.9	47.4	1.4
		Indicated	2,366,602	3,008,000	1.2	21.3	1.3
		Subtotal	2,479,337	3,164,000	1.2	22.6	1.3
	CAGA-6S (Unmined)*	Measured	3,230,098	3,548,000	1.1	30.9	1.1
		Indicated	925,019	1,008,000	1.0	25.9	1.1
		Subtotal	4,155,117	4,556,000	1.1	29.8	1.1
CAGA-7 (Unmined)*	Measured	5,098,477	5,318,000	1.1	34.1	1.0	
	Indicated	5,191,845	5,552,000	0.9	40.4	1.1	
	Subtotal	10,290,322	10,870,000	1.0	37.3	1.1	
Combined	Measured	38,030,490	44,307,000	1.1	30.8	1.2	
	Indicated	23,466,109	27,700,000	1.1	29.4	1.2	
	Total	61,496,599	72,007,000	1.1	30.3	1.2	

Notes:

- The PGMC Statement of Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia, who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and Joint Ore Reserve Committee (JORC) Codes.
- All Mineral Resources figures reported in the table above represent estimates on 15 October 2022. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization, and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
- Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition), which was adopted from the JORC.
- The PGMC Statement of Mineral Resources includes all estimates for all explored deposits of the PGMC- CAGA Nickel Expansion Project, namely: CAGA-1 to CAGA-7. However, estimates* for CAGA-5 remain the same as reported on 31 May 2014 as no additional exploration/drilling and mining operations have been undertaken since then.
- The decrease in PGMC's Mineral Resources at CAGA-1, CAGA-2, CAGA-3, and CAGA-4 (2021:2022) resulted from mine depletion, bench preparation, and road development.
- The current CAGA-7 estimates above cover the integrated former CAGA-7 (8 November 2020) and HIGDON (15 March 2021) estimates which are now part of the PGMC-CNEP (estimated on 05 June 2021).

Statement of Ore Reserves as of October 15, 2021

Classification	Proven			Probable			Total			
	Material	WMT	Nickel, Ni	Iron, Fe	WMT	Nickel, Ni	Iron, Fe	WMT	Nickel, Ni	Iron, Fe
		x 10 ⁶	%	%	x 10 ⁶	%	%	x 10 ⁶	%	%
HG		2.60	1.79	13.92	0.58	1.78	13.77	3.17	1.79	13.89
LGHF		15.97	0.83	48.77	5.90	0.81	48.58	21.87	0.82	48.72
LGMF		5.03	1.16	45.44	1.40	1.14	44.93	6.43	1.15	45.33
LGLF		9.23	1.22	13.22	5.64	1.21	13.38	14.88	1.22	13.28
MGMF		0.32	1.43	44.53	0.06	1.42	45.03	0.38	1.43	44.60
MGLF		7.67	1.47	13.70	2.95	1.46	13.43	10.62	1.47	13.62
ORE		40.82	1.15	31.48	16.53	1.13	28.75	57.35	1.14	30.69

Palawan Mine

Mineral resources and ore reserves at the Palawan Mine as reported by the PMRC CP as at October 15, 2022 are shown in the tables below:

Statement of Mineral Resources for Total Nickel as at 15 October 2022 (Measured and Indicated)

Material	Classification	DMT	Ni	Fe	SG
Low Grade Ni>=0.70%; Fe>=48%	Measured	2,218,000	1.07	49.6	1.1
	Indicated	293,000	1.01	49.7	1.1
	Subtotal	2,511,000	1.06	49.6	1.1
Medium Grade Ni>=0.80% <1.50%; Fe<48%	Measured	28,233,000	1.15	23.6	1.2
	Indicated	10,193,000	1.05	25.2	1.2
	Subtotal	38,426,000	1.12	24.0	1.2
High Grade Ni>=1.5%; Fe<48%	Measured	8,363,000	1.75	16.5	1.3
	Indicated	706,000	1.69	16.1	1.3
	Subtotal	9,069,000	1.75	16.5	1.3
Combined	Measured	38,814,000	1.27	23.6	1.2
	Indicated	11,192,000	1.09	25.3	1.2
	Total	50,006,000	1.23	24.0	1.2

Notes:

- The Statement of PMRC Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.*
- All Mineral Resources figures reported in the table above represent estimates done initially at 03rd October 2014 and still valid and used for 15 October 2022 pending any resource update after availability of complete database. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.*
- Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition).*

Statement of Ore Reserves as of December 31, 2021

Classification	Proven			Probable			Total		
	WMT	Nickel, Ni	Iron, Fe	WMT	Nickel, Ni	Iron, Fe	WMT	Nickel, Ni	Iron, Fe
HG	5,528,700	1.87	15.3	270,200	1.81	14.3	5,798,900	1.86	15.3
LGHF	1,941,900	0.92	49.4	48,400	0.97	48.8	1,990,300	0.93	49.3
LGMF	6,505,500	1.19	43.8	927,900	1.17	39.9	7,433,400	1.19	43.3
LGLF	9,977,000	1.21	14.5	1,421,800	1.20	12.3	11,398,900	1.21	14.2
MGMF	1,465,900	1.45	41.9	140,400	1.42	38.0	1,606,300	1.45	41.5
MGLF	7,914,700	1.49	14.4	762,400	1.48	13.5	8,677,200	1.49	14.3
ORE	33,333,700	1.37	23.6	3,571,100	1.31	21.4	36,904,900	1.37	23.4

Liens and Encumbrances

None of the Group's real properties are subject to any liens, encumbrances or other security interests.

LEGAL PROCEEDINGS

To the knowledge and information of the Company, there is no material pending legal proceeding (wherein the amount involved, exclusive of interest and costs, exceeds ten percent (10%) of the current assets of the Company), to which the Company is a party or of which its property is the

subject before any court of law in the Philippines, and which if adversely determined, will have a material adverse effect on the financial condition of the Company.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company's Board of Directors reviews and approves the engagement of services of the Company's external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. The Chairman of the Company's Audit Committee is Mr. Sergio Ortiz-Luis Jr.. He is joined by Atty. Dante R. Bravo and Mr. Edgardo G. Lacson as members of the Audit Committee.

The auditing firm of Sycip Gorres Velayo & Co. ("SGV"), a member firm of Ernst & Young Global Limited will be nominated and recommended to the stockholders for reappointment as external auditor. Representatives of the said firm are expected to be present at the upcoming Annual Stockholders' Meeting to respond to appropriate questions and to make a statement if they so desire.

The appointment of the signing partner of SGV is subject to the compliance of SRC Rule 68 (3) (b) (iv) of the Securities Regulation Code and applicable rules.

The independent auditors for the Company were changed from Navarro, Amper & Co. to SGV effectively from July 2014 after the acquisition of the PGMC by the Company. SGV has been the auditor for PGMC since 2005, for the considerations of consistency and ease of consolidation of the Company's and PGMC's financial stations. SGV was also appointed by the Company as its auditors. There were no disagreements between the two auditing firms.

External Audit Fees and Services

In accordance with the Company's Manual on Corporate Governance as of September 1, 2020, the Audit, Risk and Related Party Transaction Committee is tasked to select and evaluate the External Auditor of the Company and which is thereafter endorsed to the Board of Directors and presented to the stockholders for approval. The Committee deliberates and evaluates the performance of the accounting firm for the past years, the quality of their audit work, the size of their firm and their fees considering also the firm's reputation.

SGV

The consolidated financial statements of the Company and Subsidiaries as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 have been audited by SGV, a member firm of Ernst & Young Global Limited, independent auditors, as set forth in their reports appearing herein.

The following table sets out the aggregate fees billed for each of the last two (2) years for professional services rendered by SGV.

	For the years ended December	
	31,	
	2022	2021
	(₱ thousands)	
Audit and Audit-Related Fees ⁽¹⁾	8,476	6,426
Non-Audit Services ⁽²⁾	520	3,592
Total	<u>8,996</u>	<u>10,018</u>

(1) *Audit and Audit-Related Fees.* This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

The fees presented above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 15.0% of the agreed-upon engagement fees.

(2) *Non-Audit Services.* This category includes the tax advisory fees for the tax advisory services provided by SGV. The fees presented above include out-of-pocket expenses incidental to the work performed, the amounts of which do not exceed 15.0% of the agreed-upon engagement fees

There was no event in the past where SGV had any disagreement with the Company regarding any matter relating to accounting principles or practices or financial statement disclosure or auditing scope or procedure.

Audit Committee Approval Policy and Procedure

It is explicit in the Audit Committee Charter, that the Committee shall appoint, compensate, and oversee the work of the independent external auditor, resolve any disagreements between management and the auditor regarding financial reporting, and pre-approve all audit and non-audit services.

Market Price of and Dividends

Market Information

The PSE is the principal market for the Company's shares. The closing price of the shares as of April 30, 2023, is at ₱2.45 per share.

The high and low sale prices of the shares of stock of the Company for each quarter within the period January 1, 2022 to December 31, 2022 and the last two (2) years are as follows:

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2023	2.67	2.30						
2022	3.50	1.99	3.07	2.19	2.46	2.14	2.51	1.97
2021	3.22	2.13	2.88	2.39	2.65	2.00	2.25	2.00

Holders

The Company has approximately 1,712 shareholders as of December 31, 2022. Based on the record, the following are the top twenty (20) stockholders with their respective shareholdings and percentage to total shares outstanding as of said date:

Stockholder Name	Nationality	No. of Shares	%
PCD Nominee Corp - Filipino	Filipino	2,134,965,715	42.12
PCD Nominee Corp - Non-Filipino	Foreign	1,861,643,469	34.97
Regulus Best Nickel Holdings, Inc.	Filipino	523,154,668	10.04
Blue Eagle Elite Venture, Inc.	Filipino	348,769,779	06.69
Sohoton Synergy, Inc.	Filipino	233,156,767	04.47
Red Lion Fortune Group, Inc.	Filipino	57,588,866	01.11
Joseph C. Sy	Filipino	5,000,000	00.10
Dante R. Bravo	Filipino	3,261,053	00.06
Orion-Squire Capital, Inc. A/C-0459	Filipino	2,283,106	00.04
Carlo A. Matilac	Filipino	1,733,226	00.03
Mary Belle D. Bituin	Filipino	1,630,523	00.03
Squire Securities, Inc.	Filipino	867,338	00.02
Geary L. Barias	Filipino	785,860	00.01
Corsino L. Odtojan	Filipino	785,860	00.01
Marilou C. Celzo	Filipino	678,479	00.01
George L. Go	Filipino	539,176	00.01
Kuok Philippines Properties Inc.	Filipino	463,953	00.01
Richard C. Gimenez	Filipino	430,738	00.01
Tong Gabriel	Filipino	417,805	00.01
Oca Gregorio	Filipino	415,193	00.01

Dividends

Below is the history of the recent dividend declarations made by the Company and its Subsidiaries for the three (3) most recent fiscal years.

	For the Years Ended December 31		
	2022	2021	2020
	(₱ in millions)		
The Company (cash dividend)	₱1,040	₱521	₱-
<i>Subsidiaries</i>			
PGMC (cash dividend)	328	1,476	1,230
MHC (cash dividend)	350	-	-
Total	₱1,718	₱1,997	₱1,230

On December 31, 2022, PGMC declared cash dividends of ₱12.50 per share to stockholders of record as of December 31, 2022 or for a total of ₱323,749,987.50 and paid its stockholders on or before March 31, 2023.

On July 28, 2022, MHC declared cash dividends of ₱83.93 per share to stockholders of record as of July 15, 2022 or for a total of ₱350,000,000.00 and paid its stockholders on August 4, 2022.

On April 4, 2022, the Parent Company declared cash dividends of ₱0.20 per share to stockholders of record as of April 20, 2022 or for a total of ₱1,039,974,948.60 and paid its stockholders not later than May 16, 2022.

On December 31, 2021, PGMC declared cash dividends of ₱57.00 per share to stockholders of record as of December 31, 2021 or for a total of ₱1,476,299,943.00 and paid its stockholders on or before

March 31, 2022.

On May 17, 2021, the Parent Company declared cash dividends of ₱0.10 per share to stockholders of record as of June 15, 2021 or for a total of ₱521,031,525.00 and paid its stockholders not later than July 9, 2021.

On December 30, 2020, PGMC declared cash dividends of ₱47.50 per share to stockholders of record as of December 30, 2020 or for a total of ₱1,230,249,952.50 and paid its stockholders on or before March 31, 2021.

Other than as set forth above, none of our other subsidiaries declared any dividends for the years ended December 31, 2022, 2021 and 2020. Declarations of dividends in previous years are not indicative of future dividend declarations.

Description of Registrant's Securities

As of December 31, 2022, the Company has a total issued capital stock of 6,072,357,151 common shares. 5,189,785,829 common shares of the Company are outstanding and 882,571,322 shares are treasury stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

On June 30, 2014, IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp (collectively, the IHoldings Group) owned 74.80%, 10.17% and 4.85% of the Company, respectively.

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement with Huatai Investment Holdings Pty. Ltd., Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., Wei Ting, Dante R. Bravo and Seng Gay Chan (collectively, the “Thirteen Stockholders”) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Company (the “Subject Shares”) comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Company. This Share Purchase Agreement was amended on September 4, 2014,

On September 5, 2014, as a requirement under the Securities Regulation Code (SRC), the Thirteen Stockholders have launched a mandatory tender offer to acquire the shares of the minority stockholders holding 712,781,634 common shares of the Company and filed a Tender Offer Report with the SEC and PSE. The Tender Offer period lapsed October 10, 2014 where 204,264 common shares (the “Tendered Shares”) were tendered to the Thirteen Stockholders. After the lapse of the tender offer period, the Thirteen Stockholders completed the purchase of the Subject Shares in accordance with the Share Purchase Agreement. The Subject and Tendered Shares were crossed through the PSE on October 15, 2014.

On September 10, 2014 and October 22, 2014, the Board of Directors and the stockholders of the Company, respectively, approved the following amendments to the Articles of Incorporation and By-laws:

- Change in the Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Buildings, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Company from ₱2,555,000,000.00 divided into 7,300,000,000 common shares with par value of ₱0.35 per share to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change of fiscal year from June 30 to December 31.

The Board and the stockholders of the Company also approved the issuance of 10,463,093,371 new common shares of the Company resulting from the increase in the authorized capital stock to the Thirteen Shareholders who are also the stockholders of PGMC in exchange for the sale and transfer to the Company of 99.85% of the outstanding capital stock of PGMC under a Deed of Exchange dated October 23, 2014; and the follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMC.

On October 23, 2014, the Company executed a Deed of Exchange for a share-for-share swap (Share Swap) with the Thirteen Stockholders of PGMC. The Company will issue 10,463,093,371 common shares to the Thirteen Stockholders in exchange for the 99.85% outstanding shares of PGMC and cancel the receivables of the Company assumed by the Thirteen Stockholders from the IHoldings Group pursuant to the Share Purchase Agreement dated July 9, 2014, as amended on 4 September 2014. The total par value of the 10,463,093,371 common shares to be issued by the Company to the Thirteen Stockholders amounted to ₱3,662.1 million.

On November 27, 2014, the Company entered into a Memorandum of Agreement with Giantlead Prestige, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Huatai Investment Holding Pty. Ltd. and an individual for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for \$50.0 million or its Philippine peso equivalent.

On December 1, 2014, the Company filed with SEC a Notice of Exempt Transaction under Section 10.1 (e) and (i) of the Securities Regulation Code, or pursuant to the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock and pursuant to the subscription for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Philippine Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered and duly incorporated, or its authorized capital increased, for the issuance of the aforementioned 10,463,093,371 new common shares. An amended Notice of Exempt Transaction was filed on February 18, 2015.

On December 22, 2014, the Philippine SEC approved the Company's application to increase in the authorized capital stock of the Company to ₱12,555,000,000.20 divided into 35,871,428,572 common shares with a par value of ₱0.35 per share, and the issuance of 10,463,093,371 to the stockholders of PGMC who transferred their shares in PGMC to the Company, as well as the amendment of its articles of incorporation and by-laws to reflect the change in the corporate name, principal address, number of directors and fiscal year.

On February 26, 2015, the Company's stockholders representing 71.64% of the total outstanding shares unanimously approved and ratified the planned acquisition of SPNVI.

On May 19, 2015, SEC approved PGMC's increase of authorized capital stock from ₱ 715,375,046.80 to ₱ 1,515,375,046.80. Out of the increase in the authorized capital stock of ₱800,000,000.00 divided into 80,000,000,000 Class A Common Shares with a par value of ₱0.01 per share, FNI subscribed 20,000,000,000 Class A Common Shares or 61.51% of PGMC.

On August 6, 2015, the Board of Directors of the Company approved the following:

- the execution of the Contract to Sell for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of SPNVI for \$50.0 million or its Philippine peso equivalent
- subscription of the company to the remaining unissued and unsubscribed shares of SPNVI consisting of Three Hundred Thousand (300,000) common shares with a par value of One Peso (₱ 1.00) per share, and Three Billion Seven Hundred Fifty Million (3,750,000,000) preferred shares with a par value of One Centavo (₱ 0.01) per share, for a total subscription price of Thirty Seven Million Eight Hundred Thousand Pesos (₱ 37,800,000.00)

The Company, its Subsidiaries and Affiliates (collectively, the "Group") have no record of any bankruptcy, receivership or similar proceedings during the past three (3) years. Neither has the Group made any material reclassification, merger, consolidation, or purchase nor sale of a significant amount of assets not in the ordinary course of business from 2019 to 2021, except as disclosed and mentioned herein, and in the Company and Subsidiaries audited financial statements.

Management's Discussion and Analysis of Financial Position and Results of Operations

Plan of Operations

The Company will serve as a holding company and will retain its shares in PGMC. The Company will also explore other opportunities in the next twelve (12) months.

Operating 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 and limestone.

The services segment is engaged in the chartering out of land craft tanks (LCTs) to PGMC.

Summary Financial Information

The following discussion 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 and accompanying notes to the consolidated financial statements, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and should be read in conjunction with those audited consolidated financial statements.

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

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 as at and for the years ended December 31, 2022, 2021 and 2020.

Summary of Consolidated Statements of Income

	For the Years Ended			Horizontal Analysis			
	December 31			Increase (Decrease)		Increase (Decrease)	
	2022	2021 (As restated)	2020	2022 vs. 2021	%	2021 vs. 2020	%
	<i>In Thousand Pesos</i>						
Revenues	6,731,378	7,708,105	7,262,574	(976,727)	-13%	445,531	6%
Cost of Sales	(2,355,067)	(2,287,003)	(2,368,014)	68,064	3%	(81,011)	-3%
Operating Expenses	(2,404,029)	(2,230,459)	(2,185,279)	173,570	8%	45,180	2%
Finance Costs	(155,375)	(65,174)	(54,922)	90,201	138%	10,252	19%
Finance Income	11,608	6,665	7,418	4,943	74%	(753)	-10%
Share in Net Income (Loss) of							
Investment in Associates	219,475	(52,116)	35,745	(271,591)	521%	87,861	-246%
Loss on Remeasurement of							
Investment in an Associate	-	(41,426)	-	(41,426)	-100%	41,426	0%
Bargain Purchase Gain	-	176,897	-	(176,897)	100%	(176,897)	0%
Other Income (Charges) - net	644,869	(519,825)	(44,466)	(1,164,694)	-224%	475,359	1069%
Provision for Income Tax	(537,719)	(588,816)	(787,656)	(51,097)	-9%	(198,840)	-25%
Net Income	2,155,140	2,106,848	1,865,400	48,292	2%	241,448	13%
Net Income (Loss) Attributable to:							
Equity Holders of the Parent	1,921,387	2,106,442	1,867,572	(185,055)	-9%	238,870	13%
Non-controlling Interest	233,753	406	(2,172)	(233,347)	57475%	(2,578)	100%
	2,155,140	2,106,848	1,865,400	48,292	2%	241,448	13%

Summary of Consolidated Statements of Income

	For the Years Ended			Vertical Analysis			
	December 31			Increase (Decrease)		Increase (Decrease)	
	2022	2021 (As restated)	2020	2022 vs. 2021	%	2021 vs. 2020	%
	<i>In Thousand Pesos</i>						
Revenues	6,731,378	7,708,105	7,262,574	(976,727)	-2023%	445,531	185%
Cost of Sales	(2,355,067)	(2,287,003)	(2,368,014)	68,064	-141%	(81,011)	34%
Operating Expenses	(2,404,029)	(2,230,459)	(2,185,279)	173,570	-359%	45,180	-19%
Finance Costs	(155,375)	(65,174)	(54,922)	90,201	-187%	10,252	-4%
Finance Income	11,608	6,665	7,418	4,943	10%	(753)	0%
Share in Net Income (Loss) of							
Investment in Associates	219,475	(52,116)	35,745	(271,591)	562%	87,861	-36%
Loss on Remeasurement of							
Investment in an Associate	-	(41,426)	-	(41,426)	-86%	41,426	0%
Bargain Purchase Gain	-	176,897	-	(176,897)	-366%	(176,897)	0%
Other Income (Charges) - net	644,869	(519,825)	(44,466)	(1,164,694)	2412%	475,359	-197%
Provision for Income Tax	(537,719)	(588,816)	(787,656)	(51,097)	106%	(198,840)	82%
Net Income	2,155,140	2,106,848	1,865,400	48,292	-72%	241,448	44%
Net Income (Loss) Attributable to:							
Equity Holders of the Parent	1,921,387	2,106,442	1,867,572	(185,055)	-383%	238,870	99%
Non-controlling Interest	233,753	406	(2,172)	(233,347)	483%	(2,578)	1%
	2,155,140	2,106,848	1,865,400	48,292	100%	241,448	100%

Summary Consolidated Statements of Financial Position as at December 31,

	2021			Horizontal Analysis			
	2022	(As restated)	2020	Increase (Decrease)		Increase (Decrease)	
	2022	(As restated)	2020	2022 vs. 2021	%	2021 vs. 2020	%
	<i>In Thousand Pesos</i>						
Current Assets	5,986,937	6,964,970	5,693,173	(978,033)	-14%	1,271,797	22%
Noncurrent Assets	11,985,824	7,577,108	5,881,363	4,408,716	58%	1,695,745	29%
Total Assets	17,972,761	14,542,078	11,574,536	3,430,683	24%	2,967,542	26%
Current Liabilities	3,006,299	1,382,507	1,537,995	1,623,792	117%	(155,488)	-10%
Noncurrent Liabilities	3,570,820	2,338,047	923,579	1,232,773	53%	1,414,468	153%
Non-controlling Interest	544,899	430,593	31,589	114,306	27%	399,004	100%
Equity Attributable to							
Equity Holders of the Parent	10,850,743	10,390,931	9,081,373	459,812	4%	1,309,558	14%
Total Liabilities and Equity	17,972,761	14,542,078	11,574,536	3,430,683	24%	2,967,542	26%

Summary Consolidated Statements of Financial Position as at December 31,

	2021			Vertical Analysis			
	2022	(As restated)	2020	Increase (Decrease)		Increase (Decrease)	
	2022	(As restated)	2020	2022 vs. 2021	%	2021 vs. 2020	%
	<i>In Thousand Pesos</i>						
Current Assets	5,986,937	6,964,970	5,693,173	(978,033)	-29%	1,271,797	43%
Noncurrent Assets	11,985,824	7,577,108	5,881,363	4,408,716	129%	1,695,745	57%
Total Assets	17,972,761	14,542,078	11,574,536	3,430,683	100%	2,967,542	100%
Current Liabilities	3,006,299	1,382,507	1,537,995	1,623,792	47%	(155,488)	-5%
Noncurrent Liabilities	3,570,820	2,338,047	923,579	1,232,773	36%	1,414,468	48%
Non-controlling Interest	544,899	430,593	31,589	114,306	3%	399,004	13%
Equity Attributable to							
Equity Holders of the Parent	10,850,743	10,390,931	9,081,373	459,812	13%	1,309,558	44%
Total Liabilities and Equity	17,972,761	14,542,078	11,574,536	3,430,683	100%	2,967,542	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2022	2021	2020
	<i>In Thousand Pesos</i>		
Net Cash Flows From (Used in):			
Operating Activities	1,792,771	2,464,285	2,137,320
Investing Activities	(1,699,495)	(812,755)	(775,257)
Financing Activities	(954,009)	(431,744)	(582,354)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(860,733)</u>	<u>1,219,786</u>	<u>779,709</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	220,141	149,825	(89,387)
Cash and Cash Equivalents at Beginning of Year	<u>3,821,177</u>	<u>2,451,566</u>	<u>1,761,244</u>
Cash and Cash Equivalents at End of Year	<u><u>3,180,585</u></u>	<u><u>3,821,177</u></u>	<u><u>2,451,566</u></u>

RESULTS OF OPERATIONS

Year ended December 31, 2022 compared with year ended December 31, 2021

Revenues

The Group's revenues for the year ended December 31, 2022 amounted to ₱6,731.4 million compared to ₱7,708.1 million for the year ended December 31, 2021, a decrease of ₱976.7 million or 12.7%. The bulk of the Group's 2022 revenues come from its mining operations accounting for about 97.7% of the total revenues, while the remaining 2.3% pertains to revenues for services rendered to its customers.

Nickel Ore Export Revenues

The Group's sale of nickel ore for the year ended December 31, 2022 generated total export revenues of ₱6,575.0 million compared to ₱7,708.1 million in the year ended December 31, 2021, a decrease of ₱1,133.1 million or 14.7%. The decrease was mainly due to the lower volume of nickel ore shipped this year compared to the prior year.

The sale of nickel ore for the year ended December 31, 2022 was 3.735 million WMT, lower by 1.152 million WMT or 23.6%, compared to 4.887 million WMT of nickel ore in the year ended December 31, 2021. The Group completed 69 shipments of nickel ore during the year ended December 31, 2022 as against 90 shipments of nickel ore during the same period last year mainly due to adverse weather conditions. The 69 shipments that the Group delivered to its customers in 2022 include one shipment from its Ipilan Mine covering the period December 23 to 31, 2022 after the Group acquired control over the Ipilan Mine on December 22, 2022. The two (2) operating mines of FNI will give it the ability to undertake year-round production to better support the growing demand from China.

The resulting product mix was 76% low-grade ore and 24% medium-grade ore in 2022 versus the previous year's mix of 77% low-grade ore and 23% medium-grade ore. These shipments sold solely to Chinese customers consisted of 2.830 million WMT low-grade nickel ore and 0.905 million WMT medium-grade nickel ore compared to 3.761 million WMT low-grade nickel ore and 1.126 million WMT medium-grade nickel ore of the same period in 2021.

The overall average realized nickel ore price for the year ended December 31, 2022 was slightly lower by US\$0.10/WMT or 0.3%, US\$31.68/WMT compared to US\$31.78/WMT for the year ended December 31, 2021. Low-grade ore was US\$1.62/WMT or 5.4% lower, US\$28.45/WMT in 2022 compared to US\$30.07/WMT in 2021. On the other hand, medium-grade ore was US\$4.32/WMT or 11.5% higher, US\$41.79/WMT in 2022 compared to US\$37.47/WMT in 2021.

The average realized Peso over US\$ exchange rate for the Group's nickel ore export revenues was ₱55.56 compared to ₱49.63 of the same period last year, higher by ₱5.93 or 11.9%.

Service Revenues

The service income earned by the Group amounting to ₱156.4 million for the year ended December 31, 2022 pertains to port services rendered by MHC, a subsidiary, to its customers amounting to ₱126.1 million, and barging services rendered by the Group to its associate amounting to ₱30.3 million. The service revenue for the year ended December 31, 2022 includes the accounts of MHC after it became a subsidiary in December 2021 compared to no consolidation take-up yet for the same period of last year.

Also, the Group earned service income for the LCTs chartered by PGMC and INC from PCSSC, amounted to ₱50.9 million for the year ended December 31, 2022 as compared to ₱81.3 million for the same period last year. This service income is eliminated in full in the consolidated financial statements.

Cost and Expenses

The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses, and shipping and distribution. The cost and expenses amounted to ₱4,759.1 million for the year ended December 31, 2022 compared to ₱4,517.5 million for the year ended December 31, 2021, an increase of ₱241.6 million or 5.3%. The average cash operating cost per volume sold increased to ₱1,139.88 per WMT in 2022 from ₱849.30 per WMT, higher by ₱290.58 per WMT or 34.2%, attributable to lower volume shipped in 2022 compared to the same period last year mainly due to adverse weather conditions and increase in cost and expenses (see below for further analyses). Also, the cost and expenses for the full year in 2022 includes the accounts of MHC after it became a subsidiary in December 2021 compared to no consolidation take-up yet for the same period of last year.

Cost of Sales

The cost of sales went up from ₱2,287.0 million for the year ended December 31, 2021 to ₱2,355.1 million for the same period this year, an increase by ₱68.1 million, or 3.0%, broken down mainly as follows: (a) Decrease in contract hire by ₱83.0 million (from ₱1,538.8 million in 2021 to ₱1,455.8 million in 2022), or 5.4% mainly due to lower volume shipped this year compared to the prior year; (b) Increase in depreciation, depletion and amortization by ₱46.7 million (from ₱271.4 million), or 17.2% mainly due to PGMC's acquisition of transportation and handling equipment during the year used in its mining operations; (c) Increase in fuel, oil and lubricants by ₱35.1 million or 66.4% (from ₱52.8 million) mainly due to higher fuel prices. The Group's Surigao mine operations average fuel price was ₱62.60 per liter in 2022, 81.3% higher than the 2021 average fuel price of ₱34.52 per liter, while the consumption slightly decreased by 2.4%; and (d) Increase in environmental protection and community relations costs by ₱28.4 million or 50.8% and ₱10.3 million or 19.5%, respectively. Also, please note that the cost of sales for the year ended December 31, 2022 includes the accounts of MHC

after it became a subsidiary in December 2021 compared to no consolidation take-up yet for the same period of last year.

Excise Taxes and Royalties

Excise taxes and royalties were ₱842.9 million and ₱1,043.4 million for the years ended December 31, 2022 and 2021, respectively. Since these expenses were computed and paid based on the percentage of revenues, the decrease in revenues consequently decreased the excise taxes and royalties taken up.

General and Administrative

General and administrative expenses were ₱946.2 million in 2022 compared to ₱734.2 million in 2021, an increase of ₱212.0 million, or 28.9%. The increase was mainly due to the increase in depreciation, personnel costs, outside services, consultancy fees, and travel and transportation, amounted to ₱62.6 million, ₱40.4 million, ₱22.7 million, ₱16.9 million, and ₱10.1 million, respectively. The increase in depreciation was attributable to the full year amortization of right-of-use assets in 2022 compared to nine (9) months amortization in 2021 starting April 1, 2021. In addition, during the year the Group recognized a provision for impairment loss on trade receivables amounted to ₱23.6 million. Also, the general and administrative expenses in 2022 includes the accounts of MHC after it became a subsidiary in December 2021 compared to no consolidation take-up yet for the same period of last year.

Shipping and Distribution

Shipping and loading costs were ₱614.9 million for the year ended December 31, 2022 compared to ₱452.8 million in the same period last year, higher by ₱162.1 million, or by 35.8%. The increase was mainly attributable to the freight cost incurred for the Group's cost and freight shipments and increase in fuel, oil and lubricants.

Finance Costs

Finance costs amounted to ₱155.4 million in 2022 compared to ₱65.2 million of the same period last year, an increase of ₱90.2 million, or 138.4%. The increase was mainly due to the increase in interest expense by ₱24.7 million attributable to the TCB loan (the Group increased its TCB loan availment to US\$15 million on July 29, 2021); increase in interest expense on lease liabilities by ₱29.4 million; and increase in the amount of ₱40.6 million attributable to the recognized accretion of interest expense for the non-interest-bearing liability. Also, the finance costs in 2022 includes the accounts of MHC after it became a subsidiary in December 2021 compared to no consolidation take-up yet for the same period of last year.

Share in Net Income (Loss) of Investment in Associates

In accordance with Philippine Accounting Standards (PAS) 28, *Investment in Associates and Joint Ventures*, the Group recognizes its share in the net earnings or losses of its associate using the equity method of accounting. The share in net income of investment in associates amounted to ₱219.5 million for the year ended December 31, 2022 compared to the share in net loss of investment in associates amounted to ₱52.1 million for the year ended December 31, 2021, an increase to net income of ₱271.6, or 521.1%. For the period January 1, 2022 to December 21, 2022 (periods covered before SPNVI became a subsidiary), the share in net income represents net income take-up in relation to the Group's investment in SPNVI. MHC became a subsidiary of the Group as at December 31, 2021 as a result of the Group's additional 23.98% capital buy out of one (1) of the shareholders of MHC, bringing the investment interest to date to 64.03%, in accordance with PFRS 3, *Business Combinations*. For the year ended December 31, 2021, the share in net loss represents the net loss take-up in relation to the Group's investments in SPNVI and MHC. The increase in the amount of the Group's share in the net income was mainly due to the start of commercial operations of SPNVI's subsidiary, INC, as it completed its first shipment of nickel in the third quarter and recognized revenues in the last two (2) quarters of this year.

Bargain Purchase Gain and Loss on Remeasurement of Investment in an Associate

On December 29, 2021, the Group acquired an additional 23.98% interest in MHC and thereby gained control over MHC as at December 31, 2021. This transaction resulted in a provisional gain on a bargain purchase and loss on remeasurement of the previously held equity method investment amounting to ₱45.8 million and ₱41.4 million, respectively. The Group finalized its purchase price allocation for the acquisition of MHC during the year as allowed by the accounting standard resulting to bargain purchase gain amounted to ₱176.9 million.

Other Income (Charges) - net

Net other income amounted to ₱644.9 million in 2022 compared to net other charges amounted to ₱519.8 million in 2021, an increase of ₱1,164.7 million, or 224.1%. The increase in other income was mainly due to the following: (a) Final and full settlement received by MHC from its case against Holcim Philippines, Inc. (Holcim), net of reimbursements, amounting to ₱680.0 million; (b) Day 1 gain recognized by the Group amounting to ₱504.3 million applicable to the present value of the non-interest-bearing liability in relation to the purchase of GHGC Holdings Ltd. (GHGC), an associate, discounted using the prevailing market interest rate; (c) Net demurrage incurred amounted to ₱15.3 million and ₱586.9 in 2022 and 2021, respectively. The Group encountered more rainy days this year compared to the same period last year, with this the Management made conscious efforts in scheduling the Surigao mine's production, employing prudent stockpiling activities, and scheduling vessel arrivals; and (d) The Group recognized a loss on derecognition of deposits for future acquisition amounting to ₱469.3 million resulting from the Termination of the Contract to Sell by the Parent Company and stockholders of SPNVI.

Provision for Income Tax

The net provision for income tax was ₱537.7 million for the year ended December 31, 2022 compared to ₱588.8 million in the same period last year, a decrease of ₱51.1 million or 8.7%. The Group's current provision for income tax represents regular corporate income tax (RCIT) and SCIT (5% tax on gross income) in 2022 and RCIT in 2021. It also represents amounts which are expected to be paid to different taxation authorities, the BIR in the Philippines and the Inland Revenue Department (IRD) in Hong Kong. The decrease was due to the lower taxable income earned during the year compared to the prior year.

Total Comprehensive Income - net of tax

Net Income

As a result of the foregoing, the consolidated net income was ₱2,155.1 million for the year ended December 31, 2022 compared to ₱2,106.8 million (as restated) in the same period last year, an increase of ₱48.3 million or 2.3%. Net of non-controlling interests, the net income attributable to equity holders of the Parent Company for the year ended December 31, 2022 amounted to ₱1,921.4 million compared to ₱2,106.4 million in the prior year.

Currency Translation Adjustment

The Group had recognized currency translation adjustment, net of tax amounted to ₱114.8 million and ₱64.1 million for the years ended December 31, 2022 and 2021, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Remeasurement Gain (Loss) on Retirement Obligation

Remeasurement loss on retirement obligation - net of tax recognized in 2022 amounted to ₱8.2 million, compared to the remeasurement gain on retirement obligation - net of tax recognized in 2021 amounted to ₱35.1 million.

Year ended December 31, 2021 compared with year ended December 31, 2020

Export Revenues

The Group's sale of nickel ore for the year ended December 31, 2021 generated total export revenues of ₱7,708.1 million compared to ₱7,262.6 million in the year ended December 31, 2020, an increase of ₱445.5 million or 6.1%. The increase was attributable to higher prices of nickel ore compared to 2020.

The sale of nickel ore for the year ended December 31, 2021 was 4.887 million WMT, lower by 0.738 million WMT or 13.1%, compared to 5.625 million WMT of nickel ore in the year ended December 31, 2020. The Group shipped 90 vessels of nickel ore during the year ended December 31, 2021 as against 103 vessels of nickel ore during the same period last year mainly due to bad weather conditions. The resulting product mix was 77% low-grade ore and 23% medium-grade ore in 2021 versus the previous year's mix of 68% low-grade ore and 32% medium-grade ore. These shipments sold solely to Chinese customers consisted of 3.761 million WMT low-grade nickel ore and 1.126 million WMT medium-grade nickel ore compared to 3.831 million WMT low-grade nickel ore and 1.794 million WMT medium-grade nickel ore of the same period in 2020.

The average realized nickel ore prices for 2021 were higher than 2020, specifically: (1) Low-grade ore was US\$30.07/WMT in 2021, 22.2% higher than 2020 price of US\$24.61/WMT; and (2) Medium-grade ore was US\$37.47/WMT, 27.2% higher than 2020 price of US\$29.47/WMT. The overall average realized nickel ore price for the year ended December 31, 2021 was US\$31.78/WMT compared to US\$26.16/WMT for the year ended December 31, 2020, higher by US\$5.62/WMT or 21.5%.

The average realized Peso over US\$ exchange rate for the Group's export revenues was ₱49.63 compared to ₱49.35 of the same period last year, higher by ₱0.28 or 0.6%.

Service Revenues

The service income earned for the LCT chartered by PGMC from its subsidiary, PCSSC, amounted to ₱81.3 million for the year ended December 31, 2021 as compared to ₱82.6 million for the year ended December 31, 2020.

Cost and Expenses

The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses, and shipping and distribution. The cost and expenses amounted to ₱4,517.5 million for the year ended December 31, 2021 compared to ₱4,553.3 million for the year ended December 31, 2020, a decrease of ₱35.8 million or 0.8%. The average cash operating cost per volume sold increased to ₱849.30 per WMT in 2021 from ₱720.30 per WMT, higher by ₱129.00 per WMT or 17.9%, attributable to lower volume shipped in 2021 compared to the same period last year mainly due to bad weather conditions. For the year ended December 31, 2021, the total aggregate cash costs and total sales volume were ₱4,150.5 million and 4.887 million WMT, respectively. For the year ended December 31, 2020, the total aggregate cash costs and total sales volume were ₱4,051.7 million and 5.625 million WMT, respectively.

Cost of Sales

The cost of sales went down from ₱2,368.0 million for the year ended December 31, 2020 to ₱2,287.0 million for the same period this year, a decrease by ₱81.0 million, or 3.4%, broken down mainly as follows: (a) decrease in contract hire by ₱136.8 million (from ₱1,675.6 million in 2020 to ₱1,538.8 million in 2021), or 8.2%; (b) increase in personnel costs by ₱33.7 million (from ₱167.1 million), or 20.2%; (c) increase in fuel, oil, and lubricants by ₱24.3 million (from ₱28.5 million), or 85.3%; (d) increase in environmental protection costs by ₱24.0 million (from ₱31.8 million), or 75.5%; and (e) decrease in depreciation, depletion and amortization by ₱19.1 million (from ₱290.6 million), or 6.6%.

The decrease in cost of sales was brought about mainly by the lower volume produced and shipped in the current year compared to the prior year. In addition, the decrease in depreciation, depletion and amortization was due to lower average depletion and amortization rates used because of the increase in ore reserves based on the latest PMRC Report. On the other hand, the increase in fuel, oil, and lubricants was mainly due to higher fuel prices this year compared to the same period in 2020 and increase in fuel consumption due to additional activities in CAGA 1 for road construction and widening, rehabilitation and other related activities. Moreover, the increase in environmental protection costs was due to the 2020 EPEP planned activities not implemented due to pandemic but was rescheduled in 2021.

Excise Taxes and Royalties

Excise taxes and royalties were ₱1,043.4 million and ₱959.8 million for the years ended December 31, 2021 and 2020, respectively. Since these expenses were computed and paid based on the percentage of revenues, the increase in revenues consequently increased the excise taxes and royalties taken up.

General and Administrative

General and administrative expenses were ₱734.2 million in the year ended December 31, 2021 compared to ₱794.3 million in the year ended December 31, 2020, a decrease of ₱60.1 million, or 7.6%. The decrease was mainly attributable to the provision for impairment losses on input value-added tax (VAT) taken up by the Group in 2020 amounted to ₱160.9 million compared to provision recognized in 2021 amounted to ₱3.9 million. These are long-standing input VAT and the management deemed it prudent to take a conservative approach to the Group's financials. In addition, the Group is taking the necessary steps to realize these input VAT in the future. The decrease was offset by the increase in depreciation, taxes and licenses, and repairs and maintenance amounted to ₱39.8 million, ₱27.1 million and ₱19.8 million, respectively. The increase in depreciation and amortization expense was mainly attributable to the amortization of the increase in right-of-use asset as discussed in the financial position section.

Shipping and Distribution

Shipping and loading costs were ₱452.8 million for the year ended December 31, 2021 compared to ₱431.1 million in the same period last year, up by ₱21.7 million, or 5.0%. The increase was mainly due to the increase in fuel, oil and lubricants, stevedoring charges and shipping expenses, and personnel costs amounted to ₱12.5 million, ₱6.9 million, and ₱6.1 million, respectively.

Finance Costs

Finance costs amounted to ₱65.2 million in the year ended December 31, 2021 compared to ₱54.9 million in the year ended December 31, 2020, an increase of ₱10.3 million, or 18.8%. The increase was mainly due to the increase in interest expense attributable to the new TCB loan during the year.

Share in Net Income (Loss) of Investment in Associates

The share in net loss of investment in associates amounted to ₱52.1 million for the year ended December 31, 2021 compared to the share in net income of investment in associates amounted to ₱35.7 million for the year ended December 31, 2020, an increase in the net loss of ₱87.8, or 245.9%. This represents: (a) net loss take-up for deposits for future acquisition amounting to ₱3.0 million in 2021 and ₱0.5 million in 2020, in accordance with Philippine Accounting Standards (PAS) 28; and (b) share in net loss on the investment in Seasia Nectar Port Services Inc. (SNPSI) amounting to ₱49.1 million in 2021, and share in net income on the investment in SNPSI amounted to ₱36.2 million in 2020. The net loss incurred by SNPSI in 2021 was due to the impact of the COVID-19 pandemic. The volume of import cargoes such as fertilizer, coal and cement decreased in 2021.

Bargain Purchase Gain and Loss on Remeasurement of Investment in an Associate

On December 29, 2021, the Group acquired an additional 23.98% interest in MHC (previously SNPSI) and thereby gained control over SNPSI as at December 31, 2021. This transaction resulted in

a provisional gain on a bargain purchase and loss on remeasurement of the previously held equity method investment amounting to ₱45.8 million and ₱41.4 million, respectively. The Group finalized its purchase price allocation for the acquisition of MHC during the year as allowed by the accounting standard resulting to bargain purchase gain amounted to ₱176.9 million.

Other Charges - net

Net other charges amounted to ₱519.8 million in the year ended December 31, 2021 compared to ₱44.5 million in the year ended December 31, 2020, an increase of ₱475.3 million, or 1,068.1%. The increase in other charges was mainly due to the increase in net demurrage amounting to ₱544.2 million (from ₱42.6 million), or 1,277.5% due to bad weather conditions affecting the operations this year compared to the prior year. Also, average demurrage rate increased to US\$34,227.78 per day (from US\$11,190.29 per day) or an increase of 205.9% attributable to the increase in nickel ore prices. This was offset by the increase in net foreign exchange gains to ₱39.6 million (from net foreign exchange loss of ₱44.0 million), an increase of net foreign exchange gains by ₱83.6 million, or 190.0%. In addition, the Company recognized a gain on extinguishment of debt amounting to ₱25.7 million as a result of the settlement of advances from Huarong during the year. For the year ended December 31, 2020, ₱40.2 million was collected from a customer's receivables previously provided with an allowance for impairment loss that contributed to the increase in other income in 2020.

Provision for Income Tax

The net provision for income tax was ₱588.8 million for the year ended December 31, 2021 compared to ₱787.6 million in the same period last year, a decrease of ₱198.8 million or 25.2%. The Group's current provision for income tax represents regular corporate income tax for the years ended December 31, 2021 and 2020. It also represents amounts which are expected to be paid to different taxation authorities, the Bureau of Internal Revenue (BIR) in the Philippines and the Inland Revenue Department (IRD) in Hong Kong. The decrease was due to the lower taxable income earned during the year compared to the prior year. Also, as a result of the enactment of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) effective on July 1, 2020, the Group's provision for current income tax was reduced by ₱57.0 million in 2021.

Total Comprehensive Income - net of tax

Net Income

As a result of the foregoing, the consolidated net income was ₱1,975.7 million for the year ended December 31, 2021 compared to ₱1,865.4 million in the same period last year, an increase of ₱110.3 million or 5.9%. Net of non-controlling interests, the net income attributable to equity holders of the Parent Company for the year ended December 31, 2021 amounted to ₱1,975.3 million compared to ₱1,867.6 million in the prior year. The net income for the year ended December 31, 2021 was restated to ₱2,106.8 million in 2022 to reflect the finalized amount of bargain purchase gain in relation to the purchase of MHC.

Currency Translation Adjustment

The Group had recognized currency translation adjustment, net of tax amounted to ₱64.1 million and (₱41.8 million) for the years ended December 31, 2021 and 2020, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Remeasurement Gain (Loss) on Retirement Obligation

Remeasurement gain on retirement obligation - net of tax recognized in 2021 amounted to ₱35.1 million, and remeasurement loss on retirement obligation - net of tax recognized in 2020 amounted to ₱11.1 million.

Year ended December 31, 2020 compared with year ended December 31, 2019

Export Revenues

The Group's sale of nickel ore for the year ended December 31, 2020 generated total export revenues of ₱7,262.6 million compared to ₱6,654.6 million in the year ended December 31, 2019, an increase of ₱608.0 million or 9.1%. The increase was attributable to higher prices of nickel ore compared to 2019.

The sale of nickel ore for the year ended December 31, 2020 was 5.625 million WMT, lower by 0.265 million WMT or 4.5%, compared to 5.890 million WMT of nickel ore in the year ended December 31, 2019. The Group shipped 103 vessels of nickel ore during the year ended December 31, 2020 as against 108 vessels of nickel ore during the same period last year. The decrease in the number of vessels loaded and consequently in the volume of nickel ore shipped was a result of the temporary suspension of operations in April to combat the spread of the coronavirus. The resulting product mix was 68% low-grade ore and 32% medium-grade ore in 2020 versus the previous year's mix of 45% low-grade ore and 55% medium-grade ore. These shipments sold solely to Chinese customers consisted of 3.831 million WMT low-grade nickel ore and 1.794 million WMT medium-grade nickel ore compared to 2.660 million WMT low-grade nickel ore and 3.230 million WMT medium-grade nickel ore of the same period in 2019.

The average realized nickel ore prices for 2020 were higher than 2019, specifically: (1) Low-grade ore was US\$24.61/WMT in 2020, 37.6% higher than 2019 price of US\$17.89/WMT; and (2) Medium-grade ore was US\$29.47/WMT, 17.2% higher than 2019 price of US\$25.15/WMT. The overall average realized nickel ore price for the year ended December 31, 2020 was US\$26.16/WMT compared to US\$21.87/WMT for the year ended December 31, 2019, higher by US\$4.29/WMT or 19.6%.

The average realized Peso over US\$ exchange rate for the Group's export revenues was ₱49.35 compared to ₱51.65 of the same period last year, lower by ₱2.30 or 4.4%.

Service Revenues

The service income earned for the LCT chartered by PGMC from its subsidiary, PCSSC, amounted to ₱82.6 million for the year ended December 31, 2020 as compared to ₱100.4 million for the year ended December 31, 2019.

Cost and Expenses

The cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses, and shipping and distribution. The cost and expenses amounted to ₱4,553.3 million for the year ended December 31, 2020 compared to ₱4,681.0 million for the year ended December 31, 2019, a decrease of ₱127.7 million or 2.7%. The average cash operating cost per volume sold decreased to ₱720.30 per WMT in 2020 from ₱727.31 per WMT, lower by ₱7.01 per WMT or 1.0%. For the year

ended December 31, 2020, the total aggregate cash costs and total sales volume were ₱4,051.7 million and 5.625 million WMT, respectively. For the year ended December 31, 2019, the total aggregate cash costs and total sales volume were ₱4,283.9 million and 5.890 million WMT, respectively.

Cost of Sales

The cost of sales went down from ₱2,737.9 million for the year ended December 31, 2019 to ₱2,368.0 million for the same period this year, a decrease by ₱369.9 million, or 13.5%, broken down mainly as follows: (a) decrease in contract hire by ₱260.3 million (from ₱1,935.9 million in 2019 to ₱1,675.6 million in 2020), or 13.4%; (b) decrease in depreciation, depletion and amortization by ₱50.1 million (from ₱340.7 million), or 14.7%; (c) decrease in personnel costs by ₱10.6 million (from ₱177.7 million), or 6.0%; and decrease in fuel, oil, and lubricants by ₱10.8 million (from ₱39.3 million), or 27.5%. This was brought about mainly by the lower volume produced and shipped in the current year compared to the prior year, and no shipment during the month of April due to the temporary suspension of operations. Also, more low grade nickel ore was produced and shipped in 2020 compared to 2019. In addition, the decrease in depreciation, depletion and amortization was due to lower average depletion and amortization rates used because of the increase in ore reserves based on the latest PMRC Report (see Notes 8 and 10 of the consolidated financial statements). Furthermore, operation overhead decreased by ₱21.8 million (from ₱33.0 million), or 66.2% due to the completed confirmatory drilling services for operating CAGA 2 and CAGA 4 in 2019 versus nil in the current year.

Excise Taxes and Royalties

Excise taxes and royalties were ₱959.8 million and ₱843.0 million for the years ended December 31, 2020 and 2019, respectively. Since these expenses were computed and paid based on the percentage of revenues, the increase in revenues consequently increased the excise taxes and royalties taken up.

General and Administrative

General and administrative expenses were ₱794.3 million in the year ended December 31, 2020 compared to ₱675.2 million in the year ended December 31, 2019, an increase of ₱119.1 million, or 17.6%. The increase was mainly attributable to the provision for impairment losses on input value-added tax (VAT) taken up by the Group during the year amounted to ₱160.9 million. These are long-outstanding input VAT and the management deemed it prudent to take a conservative approach to the Group's financials. In addition, the Group is taking the necessary steps to realize these long-outstanding input VAT in the future. The increase was offset by the decrease in personnel costs, consultancy fees, and travel and transportation amounted to ₱24.5 million, ₱15.6 million, and ₱9.5 million, respectively.

Shipping and Distribution

Shipping and loading costs were ₱431.1 million for the year ended December 31, 2020 compared to ₱424.8 million in the same period last year, up by ₱6.3 million, or 1.5%.

Finance Costs

Finance costs amounted to ₱54.9 million in the year ended December 31, 2020 compared to ₱83.1 million in the year ended December 31, 2019, a decrease of ₱28.2 million, or 33.9%. The decrease was mainly due to the decrease in interest expense attributable to the principal payment of TCB loan during the year.

Share in Net Income (Loss) of Investment in Associates

The share in net income (loss) of investment in associates amounted to ₱35.7 million for the year ended December 31, 2020 compared to (₱41.5 million) for the year ended December 31, 2019, an increase of ₱77.2 million, or 186.2%. This represents: (a) net loss take-up for deposits for future acquisition amounted to ₱0.5 million and ₱42.9 million in 2020 and 2019, respectively, in accordance with Philippine Accounting Standards (PAS) 28; and (b) share in net income on the investment in

Seasia Nectar Port Services Inc. (SNPSI), an associate, amounted to ₱36.2 million and ₱1.4 million in 2020 and 2019, respectively.

Other Charges - net

Net other charges amounted to ₱44.5 million in the year ended December 31, 2020 compared to ₱27.4 million in the year ended December 31, 2019, an increase of ₱17.1 million, or 62.2%. The increase was attributable to: (a) increase in net foreign exchange losses by ₱31.5 million (from ₱12.5 million), or 252.2% as a result of the rebooking of US\$ denominated accounts; and (b) increase in the Group's net demurrage by ₱27.7 million (from ₱14.9 million), or 185.2% incurred in the current year compared to the prior year. The increase in the other charges was offset by the ₱40.2 million other income earned during the year which pertains to the collection from a customer's receivables previously provided with an allowance for impairment loss.

Provision for Income Tax - net

The net provision for income tax was ₱787.6 million for the year ended December 31, 2020 compared to ₱528.1 million in the same period last year, an increase of ₱259.5 million or 49.1%. The Group's current provision for income tax represents regular corporate income tax for the years ended December 31, 2020 and 2019. It also represents amounts which are expected to be paid to different taxation authorities, the Bureau of Internal Revenue (BIR) in the Philippines and the Inland Revenue Department (IRD) in Hong Kong. The increase was due to the higher taxable income earned during the year compared to the prior year attributable to increase in revenues.

Total Comprehensive Income - net of tax

Currency Translation Adjustment

The Group had recognized currency translation adjustment, net of tax amounted to (₱41.8 million) and (₱15.8 million) for the years ended December 31, 2020 and 2019, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Remeasurement Gain (Loss) on Retirement Obligation

Remeasurement gain (loss) on retirement obligation - net of tax recognized in 2020 and 2019 amounted to (₱11.1 million) and ₱16.9 million, respectively.

FINANCIAL POSITION

Year as at December 31, 2022 and 2021

As at December 31, 2022, total assets of the Group stood at ₱17,972.8 million, an increase of ₱3,430.7 million or 23.6%, from ₱14,542.1 million (as restated) as at December 31, 2021. The net increase was due to the decrease in current assets by ₱978.0 million or 14.0% and increase in noncurrent assets by ₱4,408.7 million or 58.2%.

The net decrease in the current assets was mainly attributable to the following:

- Increase in trade and other receivables by ₱2,181.0 million (from ₱63.3 million as at December 31, 2021) or 3,443.0% is attributable mainly to the shipments during the last quarter with "90-day from the date of Bill of Lading Letter of Credit" terms of payment;
- Decrease in advances to related parties by ₱2,550.6 million or 92.3% which mainly pertains to the application of the Parent Company's receivables to a stockholder in relation to the acquisition of GHGC and cash dividends declared during the year, net of additions made as at December 31, 2022;
- Decrease in cash and cash equivalents by ₱640.6 million or 16.8% attributable mainly to decrease in cash inflows from operating activities and increase in cash outflows used in investing and financing activities; and

- Increase in inventories by ₱22.8 million or 8.5% is mainly attributable to the ore stockpile inventory from our Palawan Mine.

The net increase in noncurrent assets was attributable to the following:

- Acquisition of 22.22% interest in GHGC for US\$75.0 million or ₱4,270.6 which was recognized by the Parent Company as an investment in associate plus share in net income of GHGC for the period October 1, 2022 to December 31, 2022 amounted to ₱38.0 million;
- Net increase in property and equipment amounting to ₱1,520.4 million or 34.7% was mainly due to: (a) Additions through business combination amounted to ₱1,407.1 million in relation to the acquisition of SPNVI; (b) Acquisitions of transportation and handling equipment such as water trucks, buses and service vehicles and others used in the Group's Surigao mining site operations amounted to ₱325.0 million; (c) Acquisition of a parcel of land amounted to ₱232.6 million consisting of 183,144 square meters located in Brgy. Alas-asin, Mariveles, Bataan for lease in the near future; (c) Reduction by ₱453.0 million and ₱119.4 million representing depreciation and depletion during the year and adjustment to capitalized cost of mine rehabilitation;
- Increase in other noncurrent assets by ₱699.2 million or 113.2% was attributable mainly to increase in advances to suppliers due to the deposits made for the purchase of five (5) additional LCTs and input VAT during the year;
- Additional mine exploration costs incurred during the year amounted to ₱31.7 million; and
- Derecognition of deposits for future acquisition amounted to ₱2,171.0 million in relation to the Termination of Contract to Sell by the Parent Company and the stockholders of SPNVI.

Total liabilities of the Group stood at ₱6,577.1 million as at December 31, 2022, up by ₱2,856.5 million or 76.8%, from ₱3,720.6 million (as restated) as at December 31, 2021. The net increase in the total liabilities was mainly attributable to the following:

- Recognition of non-interest-bearing liability amounting to ₱2,435.7 million pertaining to the remaining balance payable to a stockholder in relation to the purchase of GHGC that is payable in cash installments of US\$10.0 million annually starting in 2023 until fully paid;
- Increase in trade and other payables by ₱220.6 million from ₱731.3 million (as restated) to ₱951.9 million;
- Increase in income tax payable amounting to ₱216.3 million; and
- Net increase in lease liabilities amounting to ₱11.6 million.

Year as at December 31, 2021 and 2020

As at December 31, 2021, total assets of the Group stood at ₱13,897.4 million, an increase of ₱2,322.9 million or 20.1%, from ₱11,574.5 million as at December 31, 2020.

Current assets were ₱6,965.0 million as at December 31, 2021 compared to ₱5,693.2 million as at December 31, 2020, an increase of ₱1,271.8 million or 22.3%. The increase in current assets was mainly attributable to the increase in cash and cash equivalents by ₱1,369.6 million attributable mainly to the cash generated from operations. This was offset by the decrease in trade and other receivables, inventories and prepayments and other current assets by ₱63.4 million, ₱17.1 million and ₱16.3 million, respectively.

Noncurrent assets increased by ₱1,051.1 million or 17.9% from ₱5,881.4 million as at December 31, 2020 to ₱6,932.5 million as at December 31, 2021. The increase was mainly due to the:

- (a) Net increase in property and equipment by ₱1,769.1 million or 89.5% was mainly due to:
- Additions through business combination amounting to ₱1,017.5 million as a result of the step acquisition of new subsidiary, SNPSI;
 - Recognition of right-of-use asset amounting to ₱504.0 million attributable to the Group's

lease agreement with JSY6677 Landholdings, Inc. for its new office space for a lease period of ten (10) years effective April 1, 2021;

- Acquisitions during the year amounting to ₱492.9 million;
 - Reclassification of mine exploration costs to mining properties “under property and equipment” amounting to ₱115.8 million attributable to the portion of exploration costs related to CAGA 1 which transitioned to commercial operations in May 2021;
 - Reduction by ₱31.4 million attributable to the adjustment to capitalized cost of mine rehabilitation to reflect the latest discount rates and inflation rates used in the calculation of the estimates; and
 - Reduction by ₱345.8 million representing depreciation and depletion during the year;
- (b) Decrease in investment in associates amounted to ₱487.7 million as a result of step acquisition of SNPSI;
- (c) Net decrease in mine exploration costs amounted to ₱94.1 million was a result of the reclassification to property and equipment amounted to ₱115.8 million attributable to the transition of CAGA 1 to production stage, net of exploration expenditures incurred amounting to ₱21.7 million during the year; and
- (d) Net decrease in other noncurrent assets by ₱93.6 million or 13.2% mainly due to decrease in restricted cash amounted to ₱103.3 million attributable to the reduction of the debt service reserve account (DSRA) requirement of the new TCB loan.

Total liabilities of the Group stood at ₱3,280.4 million as at December 31, 2021, an increase of ₱818.8 million or 33.3%, from ₱2,461.6 million as at December 31, 2020. The increase was mainly due to the:

- (a) Increase in loans payable amounted to ₱438.8 million attributable mainly to the new TCB loan;
- (b) Increase in lease liabilities by ₱412.9 million in relation to the increase in right-of-use asset (see related discussion in noncurrent assets section above);
- (c) Increase in trade and other payables by ₱257.5 million (from ₱449.9 million to ₱707.4 million);
- (d) The increase was offset by the decrease in advances from related parties, income tax payable, retirement obligation, provision for mine rehabilitation and decommissioning, and other noncurrent liabilities amounted to ₱158.7 million, ₱73.4 million, ₱25.1 million, ₱23.2 million, and ₱10.1 million, respectively.

CASH FLOWS

Years Ended December 31, 2022, 2021 and 2020

Cash Flows from Operating Activities

The net cash flows from operating activities resulted in ₱1,792.8 million for the year ended December 31, 2022 compared to ₱2,464.3 million of the same period in 2021. The decrease in the cash generated from operations was due to lower sales of ore during the year compared to the prior year as a result of the lower volume shipped.

The net cash flows from operating activities was ₱2,137.3 million for the year ended December 31, 2020, primarily comprising operating income before changes in working capital of ₱3,128.4 million adjusted for net changes in working capital of ₱77.0 million, income taxes paid of ₱854.9 million, interest paid of ₱40.0 million, retirement plan contributions of ₱22.9 million, and interest received of ₱3.7 million.

Cash Flows from Investing Activities

The net cash flows used in investing activities for the years ended December 31, 2022, 2021 and 2020 amounted to ₱1,699.5 million, ₱812.7 million, and ₱775.2 million, respectively.

The net cash outflows in 2022 arise mainly from the net acquisitions of property and equipment amounted to ₱611.3 million, increase in advances to related parties amounting to ₱647.8 million, additional mine exploration costs amounting to ₱31.7 million, cash acquired for the acquisition of net assets of a subsidiary amounted to ₱82.1 million, and increase in other noncurrent assets amounting to ₱490.8 million.

The net cash outflows in 2021 arise mainly from the net acquisitions of property and equipment amounted to ₱404.6 million, increase in advances to related parties amounting to ₱301.6 million, payment for the acquisition of net assets of a subsidiary amounting to ₱158.7 million, additional mine exploration costs amounting to ₱21.7 million, and decrease in other noncurrent assets amounting to ₱73.9 million.

The net cash outflows in 2020 arise mainly from the net acquisitions of property and equipment amounting to ₱185.0 million, full payment of subscription payable for investment in an associate amounting to ₱225.0 million, additional advances to related parties amounting to ₱346.5 million, and additional mine exploration costs amounting to ₱21.6 million.

Cash Flows from Financing Activities

For the years ended December 31, 2022, 2021 and 2020, the net cash flows used in financing activities amounted to ₱954.0 million, ₱431.7 million, and ₱582.4 million, respectively.

The net cash outflows in 2022 arise mainly from the payment of cash dividends, bank loans and lease liabilities amounting to ₱472.9 million, ₱137.6 million, and ₱111.7 million, respectively, decrease in advances from related parties amounting to ₱90.9 million, decrease in other noncurrent liabilities amounting to ₱85.5 million, and repurchase of treasury shares amounting to ₱55.4 million.

The net cash outflows in 2021 arise mainly from the proceeds from availment of loans amounting to ₱892.8 million, net of payments amounting to ₱460.5 million, repurchase of treasury shares amounting to ₱367.9 million, payment of cash dividends amounting to ₱218.4 million, decrease in advances from related parties amounting to ₱128.0 million, decrease in lease liabilities amounting to ₱101.5 million, acquisition of non-controlling interest amounting to ₱38.1 million, and payment of other noncurrent liabilities amounting to ₱10.1 million.

The net cash outflows in 2020 arise mainly from the proceeds from availment of loans amounting to ₱291.8 million, net of payments amounting to ₱499.4 million, and repurchase of treasury shares amounting to ₱346.0 million.

Cash Dividends Payable and Treasury Stock Distributable as Dividends

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and payable to certain shareholders on May 22, 2013 amounting to ₱20.3 million were returned as stale checks and presented as cash dividends payable and will be reissued to such investors subsequent to year-end. As at December 31, 2021 and 2020, dividends payable amounted to ₱20.2 million.

On June 15, 2014, the PGMC's BOD approved the declaration of cash dividends in the amount of ₱1,411.7 million and property dividends of ₱3,657.4 million to stockholders of record as at June 15, 2014. On September 1, 2014, PGMC's BOD amended its initial dividend declaration dated June 15, 2014 by declaring cash dividends in the amount of ₱5,069.1 million out of its unrestricted retained earnings. Out of the total dividends declared, ₱4,309.0 million pertains to 16% participating, non-cumulative, preferred stockholders at ₱0.07 per share and the remaining ₱760.1 million pertains

to common stockholders at ₱0.06 per share. On December 29, 2014, PGMC settled its cash dividends payable amounting to ₱5,069.1 million. The dividends payable was offset against the cash advances to stockholders classified under “Advances to related parties”.

On July 15, 2014, the PGMC’s BOD approved the declaration of cash dividends amounting to ₱1,084.6 million at ₱0.09 per share. The dividends were settled on August 29, 2014.

On December 1, 2014, the BOD approved the adoption of a dividend policy of declaring dividends equivalent to at least twenty percent (20%) of the unrestricted retained earnings of GFNI for the preceding year as indicated in its audited financial statements.

On December 26, 2017, PGMC declared cash dividends of ₱480.00 per share to stockholders of record as of December 31, 2017 or for a total of ₱4,365,119,520.00 and paid its stockholders on January 15, 2018. On the same day, PGMC declared a stock dividend amounting to ₱1,200,000,000.00 divided into 12,000,000 shares at the par value of ₱100.00 per share, or on or about 1.32 common shares for every common share held.

On March 14, 2018, the Board approved the declaration of property dividend consisting of FNI listed treasury shares at the ratio of 0.06 share for every FNI share to all shareholders of record by April 2, 2018 based on the March 14, 2018 listed price. On October 30, 2018, the SEC approved the Company’s declaration of property dividend and payment to eligible shareholders was made on November 22, 2018.

On December 16, 2019, PGMC declared cash dividends of ₱85.00 per share to stockholders of record as of December 15, 2019 or for a total of ₱2,201,499,915.00 and paid its stockholders on or before January 2020.

On December 30, 2020, PGMC declared cash dividends of ₱47.50 per share to stockholders of record as of December 30, 2020 or for a total of ₱1,230,249,952.50 and paid its stockholders on or before March 31, 2021.

On May 17, 2021, the Parent Company declared cash dividends of ₱0.10 per share to stockholders of record as of June 15, 2021 or for a total of ₱521,031,525 and paid its stockholders not later than July 9, 2021.

On December 31, 2021, PGMC declared cash dividends of ₱57.00 per share to stockholders of record as of December 31, 2021 or for a total of ₱1,476,299,943.00 and paid its stockholders on or before March 31, 2022.

On April 4, 2022, the Parent Company declared cash dividends of ₱0.20 per share to stockholders of record as of April 20, 2022 or for a total of ₱1,039,974,948.60 and paid its stockholders not later than May 16, 2022.

On July 28, 2022, MHC declared cash dividends of ₱83.93 per share to stockholders of record as of July 15, 2022 or for a total of ₱350,000,000.00 and paid its stockholders on August 4, 2022.

On December 31, 2022, PGMC declared cash dividends of ₱12.50 per share to stockholders of record as of December 31, 2022 or for a total of ₱323,749,987.50 and paid its stockholders on or before March 31, 2023.

On May 16, 2023, the Parent Company declared cash dividends of ₱0.10 per share to stockholders of record as of June 1, 2023 to be paid not later than June 28, 2023.

Capital Stock

The capital structure of the Parent Company as at December 31, 2022 and 2021 is as follows:

	2022	2021
Authorized shares	11,957,161,906	11,957,161,906
Par value	₱1.05	₱1.05
Total authorized capital stock	₱12,555,020,001.30	₱12,555,020,001.30
Issued shares	6,072,357,151	6,072,357,151
Total capital stock (amounts in thousand Pesos)	₱6,375,975	₱6,375,975

The Parent Company has only one (1) class of common shares. The common shares do not carry any right to fixed income.

As discussed in the Corporate Information section, the BOD and stockholders of the Parent Company approved a capital restructuring through a reverse stock split. In relation to this, the Parent Company applied for an increase in its authorized capital stock which was approved by the SEC on November 7, 2016. Out of the increase in capital stock, an individual stockholder subscribed a total of ₱20,000.40 divided into 19,048 common shares at a par value of ₱1.05.

The Parent Company applied for an increase in its authorized capital stock from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the Thirteen Stockholders in accordance with the Share Swap transaction was approved by the SEC on December 22, 2014.

Parent Company Follow-on Offering

On July 20, 2018, the Parent Company completed its 250,000,000 common shares follow-on offering at an offer price of ₱2.07 with total proceeds of ₱517.5 million. On the same date, all the 6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE.

The issuance of the 250,000,000 common shares resulted in an increase in the common stock and recognition of additional paid-in capital amounted to ₱262.5 million and ₱239.0 million (net of transaction costs directly attributable to the issuance of new common shares), respectively.

The following table summarizes the track record of registrations of securities under the Securities Regulation Code.

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	1.50	5,000,000,000
Additional registration	Various	September 1996	–	1,150,000,000
Exempt from registration	Various	December 1998	–	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
Additional registration	Various	July 2018	2.07	250,000,000
				7,259,810,000

Treasury Stock

The Parent Company has 882,571,322 shares amounting to ₱1,968.2 million and 862,044,322 shares amounting to ₱1,912.8 million in treasury shares as at December 31, 2022 and 2021, respectively.

In 2022 and 2021, the Parent Company purchased a total of 20,527,000 common shares amounting to ₱55.4 million and 126,862,000 common shares amounting to ₱367.9 million, respectively. As at December 31, 2022, the Company purchased a total of 1,010,155,414 common shares amounting to ₱2,471.1 million. This is pursuant to the Share Buyback Program which was approved by the BOD on June 29, 2016 and May 15, 2018. The estimated number of shares for re-purchase, approved and authorized by the BOD is up to 10% and an additional 5% of the total outstanding shares of the Parent Company, respectively. On December 22, 2020, the BOD approved to buy back an additional 5% of the Parent Company's outstanding shares for three (3) years at market price. As at December 31, 2022 and 2021, the Parent company repurchased about 15% and 13% of its outstanding shares, respectively.

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), the details of which shall be subject to the approval of the Compensation Committee. On May 9, 2017, the Compensation Committee and the BOD approved the Employee Stock Option Master Plan which is a share-based compensation plan. It also approved the granting of the First Tranche which comprised the 20,000,000 option grants to be vested over three (3) years at a strike price of ₱2.00 and 20,000,000 share/stock grants to be granted over two (2) years (i.e., 10,000,000 share/stock grants each year).

Special Stock Grant

The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 27, 2017, the grant date, between the Parent Company and the grantees. A total of 10,100,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

- The participants of the special stock grant are the officers and employees of its significantly owned subsidiaries as selected and approved by the Compensation Committee;
- The shares granted under the 2017 Plan will be registered in the employee's name and will have a lock-in period of two (2) years from the date of grant;
- As the owner of record, the employee will have the right to vote shares and receive dividends; and
- During the lock-in period, such shares of stocks granted may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of. Pursuant to this, the certificate covering the shares of stock will be held in escrow by the designated escrow agent, and will be released at the end of the lock-in period.

The second tranche of the Stock Grant was executed on December 28, 2018, the grant date, between the Parent Company and the grantees. A total of 9,900,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are the same as that of the 2017 Stock Grant.

As of date, the stock grants have been released to the grantees since the lapse of the lock-in periods.

Key Performance Indicators (KPIs)

The Group identified the following KPIs:

<i>KPI</i>	<i>Formula</i>	<i>2022</i>	<i>2021</i> <i>(As restated)</i>	<i>2020</i>
Profitability				
1. Return on Equity	Profit for the Year / Average Total Equity	19.6%	20.0%	22.3%
2. Return on Assets	Profit for the Year / Average Total Assets	13.6%	15.5%	16.7%
3. Earnings Per Share	Profit for the Year / Adjusted Weighted Average Number of Common Shares Outstanding	0.37	0.40	0.34
Leverage				
4. Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.57:1	0.31:1	0.27:1
Liquidity				
5. Current Ratio	Current Assets / Current Liabilities	1.99:1	5.13:1	3.70:1

Trends, Events or Uncertainties

Recent Trends and Outlook

The Company's financial results reflect how well FNI has demonstrated resilience despite the challenges of the COVID-19 pandemic. This, along with its recent operational achievements in key strategic areas, points to a strong momentum going forward.

On the demand side, the outlook for the nickel industry remains compelling, driven by fundamental drivers such as population and income growth, urbanization, and energy transition.

For more than a decade, China has been and will continue to be the world's largest nickel consumer. In the short term, the easing of its COVID-19 restrictions as well as the reopening of the economy is expected to resume construction activity and support the recovery of demand for stainless steel and by extension on the nickel market. Additionally, China's infrastructure investment plan can also shore up the country's real estate sector. Reflecting these anticipated developments as well as the increasing usage of nickel in batteries for EV, intergovernmental organization International Nickel Study Group (INSG) now estimates the global demand for nickel to increase 11% from 2.89 million tonnes in 2022 to reach 3.22 million tonnes in 2023. In terms of price outlook, research provider Fitch Group revised up its LME spot price forecast by 10% from US\$20,000 to US\$22,000 per tonne for 2023, while S&P Global expects the average LME three-month price to climb 5% from a year earlier to US\$26,838 per tonne.

In the long term, nickel demand is projected to grow further due to its wide range of applications in EV batteries and related infrastructure such as charging stations. New research from the World Bank finds that electric mobility has not only become key to decarbonization for several major economies, but also increasingly relevant for low- and middle-income countries (LMICs). The research suggests that global policy targets such as having 30% new passenger vehicles to be electric by 2030, will make economic sense for many LMICs.

On the supply side, Indonesia and the Philippines will predominantly be the top nickel producing countries, as was the case since 2010. As recent as 2022, the Philippines was China's largest source

of nickel ore accounting for 83% of its total imports, according to statistics from China Customs. Looking ahead, INSG projects global nickel output to rise from 3.04 million tonnes in 2022 to 3.39 million tonnes in 2023, creating a market surplus of 171,000 tonnes. Over the medium to long term, the Fitch Group is of view that global nickel mine production is set to grow by an average of 5% annually from 2022 to 2026, with strong nickel ore output from Indonesia and Philippines this year.

Inevitably, with such huge potential also comes complexity. As a major nickel miner, the Company recognizes that there are external headwinds which may have a negative impact on its performance and in the industry including fuel price spikes, natural disasters, conflicts, increased mining taxation, and other factors over which it has no control. Despite these uncertainties, the Company draws strength from the resilience that the organization has already shown over the years, underpinned by its highly experienced leadership team who has operated in most market conditions, and a clear strategy to continue to deliver for all stakeholders.

Uncertainties

There are no known significant uncertainties that will result in or that are reasonably likely to result in the Company's principal risks increasing or decreasing in a material way.

Capital Expenditures

The Group does not have any outstanding commitment on capital expenditures as of December 31, 2022.

Operational and Financial Requirements

The Group maintains liquid assets in order to meet future operational and financial requirements.

Material Contingencies and Off-Balance Sheet Obligations

The Group is not aware of any significant commitment, guarantee, litigation or contingent liability during the reported period other than those discussed in this report and the audited consolidated financial statements.

Events that will Trigger Direct or Contingent Financial Obligation

The group is not aware of any event that will trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.



Global Ferronickel Holdings, Inc.

May 18, 2023

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard
Pasay City

Attention : MR. VICENTE GRACIANO P. FELIZMENIO, JR
Director, Markets and Securities Regulation Department

Re : Certification of Non-Involvement with Government Agencies
or Its Instrumentalities

Gentlemen:

In compliance with requirements of the Commission relative to the filing of SEC Form 20-IS, we certify that none of the Company's incumbent directors and executive officers who may be elected and appointed during the Annual Stockholders' and Organization Meetings to be held on June 28, 2023 is a government employee or official covered by Memorandum Circular 17, Sec. 12 Rule XVIII of the Revised Civil Service Rules.

Truly yours,

EVEART GRACE POMARIN-CLARO
Corporate Secretary



SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES is responsible for the preparation and fair presentation of the audited 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Handwritten signature of Joseph C. Sy
JOSEPH C. SY
Chairman

Handwritten signature of Dante R. Bravo
DANTE R. BRAVO
President

Handwritten signature of Mary Belle D. Bituin
MARY BELLE D. BITUIN
Chief Finance Officer

SUBSCRIBED AND SWORN to before me, this 29 MAR 2023
by affiant who exhibited to me his/her issued at
MAKATI CITY on

Signed this 24th day of March 2023

Doc. No. 108
Page No. 23
Book No. I
Series of 2023

Handwritten signature of Atty. Mary Louise S. Inguillo
Atty. Mary Louise S. Inguillo
Commission No. M-021
Notary Public for Makati City
Until December 31, 2024
2493 Gen. Belamino St., Bangkal, Makati City
Roll No. 75332, July 24, 2020
PTR No. 9563692, Makati City
IBP No. 269887, Makati Chapter
MCLE Compliance No. VII- 0003101, May 19, 2021

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	0	0	3	9	9	2
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COMPANY NAME

G	L	O	B	A	L		F	E	R	R	O	N	I	C	K	E	L		H	O	L	D	I	N	G	S	,	I	
N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S										

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

P	e	n	t	h	o	u	s	e	,		P	l	a	t	i	n	u	m		T	o	w	e	r	,	A	s	e
a	n		A	v	e	n	u	e		c	o	r	n	e	r		F	u	e	n	t	e	s		S	t	.	,
A	s	e	a	n	a	,		P	a	r	a	ñ	a	q	u	e		C	i	t	y							

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

info@gfni.com.ph

Company's Telephone Number

(632) 8519-7888

Mobile Number

09178715156

No. of Stockholders

1,713

Annual Meeting (Month / Day)

6/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Mary Belle D. Bituin

Email Address

mdbituin@gfni.com.ph

Telephone Number/s

(632) 8519-7888

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

Penthouse, Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Global Ferronickel Holdings, Inc. and Subsidiaries
Penthouse, Platinum Tower
Asean Avenue corner Fuentes St., Aseana
Parañaque City

Opinion

We have audited the consolidated financial statements of Global Ferronickel Holdings, Inc. 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 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 Matter

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 the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Accounting for Acquisition of Southeast Palawan Nickel Ventures, Inc.

As discussed on Note 38 to the consolidated financial statements, on December 22, 2022, Southeast Palawan Nickel Ventures, Inc. (SPNVI) increased its authorized capital stocks wherein Platinum Group Metals Corporation (PGMC; a subsidiary of the Parent Company) subscribed to more than 92 million common shares of SPNVI for a total consideration of ₱91.8 million (the “Transaction”). The Transaction resulted in PGMC obtaining a total of 59.37% interest in SPNVI and obtaining control over SPNVI. The Transaction was considered as a business acquisition under common control and was accounted for using the pooling of interests method. In applying the pooling of interests method, the assets and liabilities of the acquired entities were recognized at their carrying values and an equity adjustment was recorded for the difference between the carrying values of the assets and liabilities acquired and consideration given. We considered the accounting for the Transaction as a key audit matter because the amounts involved are material and significant management judgment is required in assessing whether the transaction is under common control.

The Group’s disclosures about the Transaction are included in Note 38 to the consolidated financial statements.

Audit Response

We obtained the board of directors and stockholders’ approval on the increase in capital stock of SPNVI including the subscription of PGMC and waiver of pre-emptive rights of the existing stockholders of SPNVI. We also obtained the regulatory approvals related to the increase in the capital stocks of SPNVI. We obtained an understanding of the ownership structure of the Parent Company and SPNVI and evaluated management’s assessment on whether there is an existing common controlling ownership over these entities before and after the business acquisition of SPNVI. We tested the management’s application of the pooling of interests method, the balances of the acquired entity, SPNVI, and the resulting equity adjustments. We also reviewed the presentation and disclosures related to the common control transaction in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (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 matter communicated with those charged with governance, we determine this matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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 24, 2023



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2022	2021 <i>(As restated)</i>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱3,180,585	₱3,821,177
Trade and other receivables (Note 5)	2,244,391	63,348
Advances to related parties (Note 30)	213,927	2,764,514
Inventories (Note 6)	292,293	269,470
Prepayments and other current assets (Note 7)	55,741	46,461
Total Current Assets	5,986,937	6,964,970
Noncurrent Assets		
Property and equipment (Note 8)	5,904,199	4,383,742
Investment in associates (Note 9)	4,308,540	-
Mine exploration costs (Note 11)	179,030	147,299
Mining rights (Note 10)	117,304	125,579
Deferred tax assets - net (Note 31)	143,215	103,565
Retirement plan asset - net (Note 17)	16,836	28,410
Deposits for future acquisition (Note 30)	-	2,171,003
Other noncurrent assets (Note 12)	1,316,700	617,510
Total Noncurrent Assets	11,985,824	7,577,108
TOTAL ASSETS	₱17,972,761	₱14,542,078
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	₱951,912	₱731,305
Non-interest bearing liability (Note 14)	561,200	-
Income tax payable	319,827	103,507
Current portion of loans payable (Note 15)	315,675	247,109
Advances from related parties (Note 30)	227,683	235,861
Current portion of lease liabilities (Note 18)	57,823	64,725
Other current liabilities (Note 19)	572,179	-
Total Current Liabilities	3,006,299	1,382,507
Noncurrent Liabilities		
Non-interest bearing liability - net of current portion (Note 14)	1,874,482	-
Lease liabilities - net of current portion (Note 18)	777,762	759,288
Loans payable - net of current portion (Note 15)	526,125	652,147
Provision for mine rehabilitation and decommissioning (Note 16)	261,039	305,414
Deferred tax liabilities - net (Note 31)	131,180	99,230
Other noncurrent liabilities (Note 19)	232	521,968
Total Noncurrent Liabilities	3,570,820	2,338,047
Total Liabilities	6,577,119	3,720,554
Equity		
Capital stock (Note 20)	6,375,975	6,375,975
Additional paid-in capital (Note 20)	239,012	239,012
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(5,818)	(5,565)
Remeasurement gain on retirement obligation (Note 17)	35,535	43,703
Cumulative translation adjustment	133,898	19,111
Retained earnings (Note 20)	6,040,354	5,631,501
Treasury shares (Note 20)	(1,968,213)	(1,912,806)
Equity attributable to the Parent Company	10,850,743	10,390,931
Non-controlling interest (Note 20)	544,899	430,593
Total Equity	11,395,642	10,821,524
TOTAL LIABILITIES AND EQUITY	₱17,972,761	₱14,542,078

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2022	2021	2020
		<i>(As restated)</i>	
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 34)	₱6,731,378	₱7,708,105	₱7,262,574
COST OF SALES (Note 22)	2,355,067	2,287,003	2,368,014
GROSS PROFIT	4,376,311	5,421,102	4,894,560
OPERATING EXPENSES			
General and administrative (Note 23)	946,233	734,247	794,345
Excise taxes and royalties (Note 24)	842,916	1,043,457	959,834
Shipping and distribution (Note 25)	614,880	452,755	431,100
	2,404,029	2,230,459	2,185,279
SHARE IN NET INCOME (LOSS) OF INVESTMENT IN ASSOCIATES (Note 9)	219,475	(52,116)	35,745
FINANCE COSTS (Note 28)	(155,375)	(65,174)	(54,922)
FINANCE INCOME (Notes 4, 12, and 17)	11,608	6,665	7,418
BARGAIN PURCHASE GAIN (Note 38)	-	176,897	-
LOSS ON REMEASUREMENT OF INVESTMENT IN AN ASSOCIATE (Note 38)	-	(41,426)	-
OTHER INCOME (CHARGES) - net (Note 29)	644,869	(519,825)	(44,466)
INCOME BEFORE INCOME TAX	2,692,859	2,695,664	2,653,056
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 31)			
Current	568,358	569,288	771,772
Deferred	(30,639)	19,528	15,884
	537,719	588,816	787,656
NET INCOME	2,155,140	2,106,848	1,865,400
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustment	153,049	85,440	(59,763)
Income tax effect	(38,262)	(21,360)	17,929
	114,787	64,080	(41,834)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement obligation (Note 17)	(10,891)	46,795	(15,888)
Income tax effect	2,723	(11,699)	4,766
	(8,168)	35,096	(11,122)
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(253)	(84)	211
	106,366	99,092	(52,745)
TOTAL COMPREHENSIVE INCOME	₱2,261,506	₱2,205,940	₱1,812,655
Net income attributable to:			
Equity holders of the Parent Company	₱1,921,387	₱2,106,442	₱1,867,572
Non-controlling interest in consolidated subsidiaries	233,753	406	(2,172)
	₱2,155,140	₱2,106,848	₱1,865,400
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱2,027,753	₱2,205,534	₱1,814,827
Non-controlling interest in consolidated subsidiaries	233,753	406	(2,172)
	₱2,261,506	₱2,205,940	₱1,812,655
Basic/Diluted Earnings Per Share (Note 21)	₱0.37	₱0.40	₱0.34

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. 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 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensiv e Income (Note 12)	Remeasure- ment Gain (Loss) on Retirement Obligation (Note 17)	Cumulative Translation Adjustment	Retained Earnings (Note 20)	Total	Non- Controlling Interest in Consolidated Subsidiaries (Note 20)	Total
Balances at December 31, 2019	₱6,375,975	₱239,012	(₱1,198,909)	(₱5,692)	₱19,729	(₱3,135)	₱2,185,561	₱7,612,541	₱33,975	₱7,646,516
Net income (loss)	-	-	-	-	-	-	1,867,572	1,867,572	(2,172)	1,865,400
Other comprehensive income (loss) net of tax	-	-	-	211	(11,122)	(41,834)	-	(52,745)	-	(52,745)
Total comprehensive income (loss)	-	-	-	211	(11,122)	(41,834)	1,867,572	1,814,827	(2,172)	1,812,655
Purchase of treasury shares in relation to buyback program (Note 20)	-	-	(345,995)	-	-	-	-	(345,995)	-	(345,995)
Cash dividend (Note 20)	-	-	-	-	-	-	-	-	(214)	(214)
Balances at December 31, 2020	₱6,375,975	₱239,012	(₱1,544,904)	(₱5,481)	₱8,607	(₱44,969)	₱4,053,133	₱9,081,373	₱31,589	₱9,112,962
Net income (loss)	-	-	-	-	-	-	1,975,301	1,975,301	406	1,975,707
Effect of finalization of provisional amounts of Mariveles Harbor Corporation	-	-	-	-	-	-	131,141	131,141	-	131,141
Net income (loss), <i>as restated</i>	-	-	-	-	-	-	2,106,442	2,106,442	406	2,106,848
Other comprehensive income (loss) - net of tax	-	-	-	(84)	35,096	64,080	-	99,092	-	99,092
Total comprehensive income (loss)	-	-	-	(84)	35,096	64,080	2,106,442	2,205,534	406	2,205,940

(Forward)



Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensiv e Income (Note 12)	Remeasure- ment Gain (Loss) on Retirement Obligation (Note 17)	Cumulative Translation Adjustment	Retained Earnings (Note 20)	Total	Non- Controlling Interest in Consolidated Subsidiaries (Note 20)	Total
Acquisition of Seasia Nectar port Services Inc. (Note 38)	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱356,639	₱356,639
Acquisition of additional interest in FNI Steel Corporation and FNI Steel Landholdings Corporation (Note 20)	-	-	-	-	-	-	(7,041)	(7,041)	(31,084)	(38,125)
Purchase of treasury shares in relation to buyback program (Note 20)	-	-	(367,902)	-	-	-	-	(367,902)	-	(367,902)
Cash dividend (Note 20)	-	-	-	-	-	-	(521,033)	(521,033)	(254)	(521,287)
Balances at December 31, 2021	₱6,375,975	₱239,012	(₱1,912,806)	(₱5,565)	₱43,703	₱19,111	₱5,631,501	₱10,390,931	₱357,296	₱10,748,227
Effect of finalization of provisional amounts of Mariveles Harbor Corporation	-	-	-	-	-	-	-	-	73,298	73,298
Balances at December 31, 2021, <i>as restated</i>	₱6,375,975	₱239,012	(₱1,912,806)	(₱5,565)	₱43,703	₱19,111	₱5,631,501	₱10,390,931	₱430,594	₱10,821,525
Net income	-	-	-	-	-	-	1,921,387	1,921,387	233,753	2,155,140
Other comprehensive income (loss) -net of tax	-	-	-	(253)	(8,168)	114,787	-	106,366	-	106,366
Total comprehensive income (loss)	-	-	-	(253)	(8,168)	114,787	1,921,387	2,027,753	233,753	2,261,506
Acquisition of Southeast Palawan Nickel Ventures, Inc. (Note 38)	-	-	-	-	-	-	-	-	6,503	6,503
Purchase of treasury shares in relation to buyback program (Note 20)	-	-	(55,407)	-	-	-	-	(55,407)	-	(55,407)
Effect of common control business combination (Note 38)	-	-	-	-	-	-	(472,559)	(472,559)	-	(472,559)
Cash dividend (Note 20)	-	-	-	-	-	-	(1,039,975)	(1,039,975)	(125,951)	(1,165,926)
Balances at December 31, 2022	₱6,375,975	₱239,012	(₱1,968,213)	(₱5,818)	₱35,535	₱133,898	₱6,040,354	₱10,850,743	₱544,899	₱11,395,642

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,692,859	₱2,564,523	₱2,653,056
Adjustments for:			
Day 1 gain on noninterest bearing liability (Note 9)	(504,273)	-	-
Loss (gain) on:			
Derecognition of deposit for future acquisition (Note 30)	469,253	-	-
Gain on disposal of property and equipment (Note 8)	(426)	-	147
Remeasurement of investment in an associate (Note 38)	-	41,426	-
Depreciation, depletion and amortization (Note 27)	470,749	361,453	340,714
Share in net loss (income) of investment in associates (Note 9)	(219,475)	52,116	(35,745)
Interest expense (Note 28)	106,651	50,072	42,175
Unrealized foreign exchange losses (gains) - net (Note 29)	85,574	(37,234)	(4,008)
Provision for expected credit losses (Notes 5 and 23)	23,574	-	-
Interest income (Notes 4, 12, and 16)	(11,608)	(6,665)	(7,418)
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	46,333	8,170	8,171
Current service cost (Note 17)	8,026	13,500	10,565
Provision for impairment losses on:			
Inventory (Note 6)	4,075	1,577	-
Other noncurrent assets (Notes 12 and 23)	3,260	3,891	160,871
Accretion of interest income on security deposit under "Other noncurrent assets" (Note 12)	(965)	-	-
Bargain purchase gain (Note 38)	-	(45,756)	-
Gain on extinguishment of debt (Note 29)	-	(25,704)	-
Income from reversal of expected credit losses on trade receivables (Note 5)	-	-	(40,159)
Operating income before working capital changes	3,173,607	2,981,369	3,128,369
Decrease (increase) in:			
Trade and other receivables	(659,393)	18,945	61,027
Prepayments and other current assets	7,612	5,447	(38,838)
Inventories	(3,656)	(1,617)	57,058
Increase (decrease) in:			
Trade and other payables	(38,724)	106,114	(156,290)
Net cash flows from operations	2,479,446	3,110,258	3,051,326
Income taxes paid	(515,166)	(563,749)	(854,843)
Interest paid	(154,384)	(62,428)	(39,984)
Contributions (Note 17)	(22,909)	(22,909)	(22,909)
Interest received	5,784	3,113	3,730
Net cash flows from operating activities	1,792,771	2,464,285	2,137,320
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 37)	(611,322)	(404,608)	(184,956)
Advances to related parties	(647,828)	(301,607)	(346,531)
Mine exploration costs (Note 11)	(31,731)	(21,735)	(21,615)
Cash acquired (payment made) for the acquisition of net assets of a subsidiary (Note 38)	82,163	(158,720)	-
Decrease (increase) in:			
Other noncurrent assets	(490,777)	73,915	2,845
Investment in associates	-	-	(225,000)
Net cash flows used in investing activities	(1,699,495)	(812,755)	(775,257)

(Forward)



	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of:			
Cash dividends	(₱472,885)	(₱218,397)	₱-
Loans (Note 15)	(137,646)	(460,487)	(499,367)
Lease liabilities (Note 18)	(111,720)	(101,551)	(26,542)
Increase (decrease) in:			
Advances from related parties	(90,907)	(127,997)	(2,219)
Other noncurrent liabilities	(85,444)	(10,061)	-
Purchase of treasury shares (Note 20)	(55,407)	(367,902)	(345,995)
Acquisition of non-controlling interest (Note 2)	-	(38,125)	-
Proceeds from availment of loans (Note 15)	-	892,776	291,769
Net cash flows used in financing activities	(954,009)	(431,744)	(582,354)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(860,733)	1,219,786	779,709
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	220,141	149,825	(89,387)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,821,177	2,451,566	1,761,244
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱3,180,585	₱3,821,177	₱2,451,566

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (GFNI; Parent Company) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligations of any corporation.

On June 29, 2022, the Board of Directors (BOD) and Stockholders approved the amendment of the Parent Company's Articles of Incorporation (AOI) to change its principal office address from 7th Floor Corporate Business Centre, 151 Paseo De Roxas, corner Arnaiz Street, Makati City to Penthouse, Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City. The Parent Company's application for its amended AOI with the SEC was approved on October 4, 2022.

As at June 30, 2014, the Parent Company is 74.80%, 10.17% and 4.85% owned by IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp. (collectively the IHoldings Group), respectively.

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement, as amended on September 4, 2014, with Huatai Investment Holding Pty. Ltd. (HIHPL), Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc. (ACFGI), Antares Nickel Capital, Inc. (ANCI), Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Synergy, Inc. (SSI), Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., and three individuals (collectively the Thirteen Stockholders) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Parent Company (the Subject Shares), comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Parent Company.

On September 5, 2014, as a requirement under the Securities Regulation Code (SRC), the 13 Stockholders have launched a mandatory tender offer to acquire the shares of the minority stockholders holding 712,781,634 common shares of the Parent Company and filed a Tender Offer Report with the SEC and PSE. The Tender Offer period lapsed on October 10, 2014 where 204,264 common shares were tendered to the 13 Stockholders (the Tendered Shares). After the lapse of the tender offer period, the 13 Stockholders completed the purchase of the Subject Shares in accordance with the Share Purchase Agreement. The Subject and Tendered Shares were crossed through the PSE on October 15, 2014.

On September 10, 2014 and October 22, 2014, the BOD and stockholders of the Parent Company, respectively, approved the following amendments to the AOI and By-laws:

- Change in the Parent Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.
- Change in the registered and principal address from Room 1104, Liberty Center Building, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7/F, Corporate Business Centre, 151 Paseo de Roxas Cor. Arnaiz Street, Makati City
- Increase in the number of directors from nine to ten members
- Increase in the authorized capital stock of the Parent Company from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share
- Change in the reporting period from June 30 to December 31

The amendments to the AOI and By-laws of the Parent Company were approved by the SEC on December 22, 2014.



Moreover, the BOD and stockholders of the Parent Company also approved the following transactions on September 10, 2014 and October 22, 2014, respectively:

- The acquisition of the 99.85% outstanding shares of Platinum Group Metals Corporation (PGMC) through issuance of 10,463,093,371 common shares, coming from the increase in authorized capital stock, to the stockholders of PGMC selling and/or exchanging their shares in PGMC to the Parent Company.
- The follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMC.

On August 22, 2016 and October 3, 2016, the BOD and stockholders of the Parent Company, respectively, approved the following resolutions:

- Reverse stock split of the Parent Company's common stock at a ratio one-for-three
- Amendment of the AOI to reflect an increase in the par value per share and a corresponding decrease in the total number of shares or a reverse stock split, whereby in effect, the authorized capital stock of the Parent Company is increased from ₱12,555.0 million divided into 35,871,428,572 common shares with par value of ₱0.35 per share to ₱12,555.0 million divided into 11,957,161,906 common shares with a par value of ₱1.05 per share, or an increase of ₱20.0 thousand
- Amendment of the By-laws to include notice of regular or special meeting of the Board by electronic mail and attendance to board meetings by means of telephone, electronic, or other suitable electronic communication facilities, including telephone conference, videoconference, or the internet or any combination of those methods.

On November 7, 2016, the SEC approved the Parent Company's increase in the authorized capital stock and the amendments of the AOI and By-laws.

On July 20, 2018, the Parent Company completed the follow-on offering with total proceeds amounted to ₱517.5 million. On the same date, all the 6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE.

The Parent Company and PGMC Share-for-Share Swap (Share Swap) Transaction

On October 23, 2014, the Parent Company executed a Deed of Exchange for a Share Swap with the 13 Stockholders of PGMC. Parent Company will issue 10,463,093,371 common shares to the 13 Stockholders in exchange for the 99.85% outstanding shares of PGMC and cancel the ₱2,591.9 million receivables of Parent Company assumed by the 13 Stockholders from IHoldings Group pursuant to the Share Purchase Agreement dated July 9, 2014, as amended on September 4, 2014. The total par value of the 10,463,093,371 common shares to be issued by the Parent Company to the 13 Stockholders amounted to ₱3,662.1 million.

The shares issued by the Parent Company to the 13 Stockholders of PGMC came from the increase in authorized capital stock. The increase in the authorized capital stock was approved by the SEC on December 22, 2014.

Memorandum of Agreements (MOA)

On November 27, 2014, the Parent Company entered into two (2) MOAs with the following:

- GHGC Metallic Ore Resources, Inc. (GMORI) and eight (8) individuals for the purchase of 126,500,000 common shares or 100% interest of Ferrochrome Resources, Inc. (FRI) for United States Dollar (US\$)30.0 million or its Philippine Peso (₱) equivalent
- Giantlead Prestige, Inc., ACFGI, ANCI, HIHPL and an individual (the Sellers) for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or 100% interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for US\$50.0 million or its Philippine Peso (₱) equivalent
- The acquisition of FRI and SPNVI shares are still subject to the fulfillment of the pre-conditions as indicated in the MOA including the need to conduct a due diligence examination of FRI and SPNVI.



On February 26, 2015 during a special stockholders' meeting of the Parent Company, the stockholders representing 71.64% of the total issued shares unanimously approved and ratified the above planned acquisitions.

On March 16, 2015, the Parent Company's BOD approved the termination of the MOA with GMORI and eight (8) individuals for the acquisition of 100% interest of FRI due to the non-fulfillment of the conditions in the MOA.

On August 6, 2015, the members of the BOD of the Parent Company approved the following:

- Pursuant to the MOA dated November 27, 2014 executed between the Parent Company and the Sellers, for the sale of 500,000 common shares and 6,250,000,000 preferred shares 100% interest of SPNVI for the purchase price of US\$50.0 million or its Philippine Peso (₱) equivalent, the Parent Company shall execute a Contract to Sell to acquire the aforementioned shares with the understanding that the payment of the purchase price shall be made by the Parent Company either after the conduct of the follow-on offering to the general public and for which a permit to sell has been secured from the SEC or whenever the Parent Company has generated sufficient funds to pay the purchase price from its operations or the conduct of other fund raising activities.
- To allow SPNVI to complete the permitting processes of its mineral property covered by Mineral Production Sharing Agreement (MPSA) No. 017-93-IV granted by the Philippine Government to Celestial Nickel Mining Exploration Corporation (CNMEC) on September 19, 1993, as amended on April 10, 2000, the Parent Company shall subscribe to the remaining unissued and unsubscribed shares of SPNVI consisting of 300,000 common shares with a par value of ₱1.00 per share and 3,750,000,000 preferred shares with a par value of ₱0.01 per share, for a total subscription price of ₱37.8 million.

The approval of the stockholders to authorize this transaction was secured during the Special Stockholders' Meeting held on February 26, 2015.

On August 6, 2015, after the meeting, the parties through their authorized representatives signed the Contract to Sell.

On December 21, 2022, the Parent Company and the shareholders of SPNVI entered into an agreement to terminate the MOA and Contract to Sell. The termination paves the way for the Group to concentrate its mining portfolio in its subsidiary, as PGMC instead will subscribe to the primary shares in SPNVI, making PGMC the majority shareholder of SPNVI (see Notes 9 and 30).

The Subsidiaries

PGMC

PGMC is 99.98% owned by the Parent Company and was registered with the SEC on February 10, 1983. It is primarily engaged in the exploration, mining and exporting of nickel ore located in the municipality of Claver, Surigao del Norte. PGMC's principal office address is the same as that of the Parent Company.

PGMC has an Operating Agreement with Surigao Integrated Resources Corporation (SIRC) for the exclusive right and privilege to undertake mining activities within the area covered by the MPSA No. 007-92-X.

Seasonality

The Cagdianao Mine produces and exports nickel ores from April to October of each year, typically the dry and minimal sea swell season at the mine site. During the rainy season, mining operations in the mine site are suspended and no loading of ore onto ships. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred during the second and third quarters compared to the first and fourth quarters.



SIRC

SIRC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on July 16, 1999. Its primary purpose is to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large-scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law. SIRC's principal office address is the same as that of the Parent Company.

On January 13, 1992, the Philippine Government and Case Mining Development Corporation (CMDC) entered into an MPSA No. 007-92-X, which allows CMDC to explore, develop and mine nickel ore within the Contract Area covering an area of approximately 4,376 hectares located at Cagdianao, Claver, Surigao del Norte.

On March 3, 2004, a Deed of Agreement was executed by and between the SIRC and CMDC wherein CMDC transfers, assigns and conveys to SIRC all the rights, titles and interests on the MPSA No. 007-92-X and SIRC assumes all the obligations of CMDC under the same MPSA.

On March 3, 2005, the said Assignment Agreement was duly registered with the Mines and Geosciences Bureau (MGB) and was approved and recorded the MPSA in the name of SIRC on July 20, 2005.

The MPSA was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042.

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein CLNMI has agreed to assign all of its rights, titles and interests on its Exploration Permit (EP) and mineral property. The Deed of Assignment was approved by the MGB on June 27, 2016. CLNMI has an application for EP with Application No. EPA-000101-XIII filed with the MGB covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte. SIRC applied for the expansion of its mining tenement annexing the area covered by the application for EP with Application No. EPA-000101-XIII. On March 2, 2020, MGB approved the area expansion of SIRC's MPSA from 4,376 hectares to 5,219.56 hectares by annexing the area covered by the application for exploration permit EXPA-000101-XIII. MGB redenominated SIRC's MPSA from MPSA No. 07-92-X-SMR to MPSA No. 07-92-X-SMR (Amended I).

PGMC-CNEP Shipping Services Corp. (PCSSC)

PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on June 4, 2013. Its primary purpose is to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport/tank (LCT) or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description. PCSSC's principal office address is the same as that of the Parent Company.

In April 2014 and June 2014, PCSSC's LCT 3 and 4, and LCT 1, 2 and 5, respectively, were registered with the Maritime Industry Authority (MARINA), under the Department of Transportation, the former being the agency responsible for integrating the development, promotion and regulation of maritime industry in the Philippines. These shipping equipment are classified as cargo ships and are engaged primarily in coastwise trading with licenses that are valid until 2023.

PGMC International Limited (PIL)

On July 22, 2015, PIL, a wholly-owned subsidiary of the Parent Company through PGMC, was incorporated as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to trade mineral products. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC. PIL's principal office address is at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong.



Wealthy Huge Corporation Limited (WHCL)

WHCL is a wholly-owned subsidiary of the Parent Company through PGMCO and was incorporated on March 1, 2021 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to facilitate relations with offshore customers, collection of accounts, availing of offshore banking services, and such other services as will aid PGMCO's strategic growth in the ASEAN region. WHCL's principal office address is at Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong. WHCL has not started its operations as at December 31, 2022.

FNI Steel Corporation (FSC)

FSC is a wholly-owned subsidiary of the Parent Company and was registered with the Philippine SEC on August 5, 2019. Its primary purpose is to engage in the business of buying, selling, dealing, at wholesale and retail, importing and manufacturing iron, steel and other ferrous or non-ferrous metal products, to be processed either by melting, rolling, casting, or forging to produce it in the form of ingots, billets, sections, bars, plates, strips, rods, tubes, pipes and other such forms in demand in the market or industry; to import materials, machinery and equipment needed to manufacture such finished products; and to lease real properties such as land and buildings as needed. FSC's principal office address is at Lot 9 3rd Floor AFAB Administration Building, Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines.

On October 21, 2019, FSC entered into a Registration Agreement with the Authority of the Freeport Area of Bataan (AFAB) which entitles FSC to conduct and operate its business at the Freeport Area of Bataan (FAB). As a registered export enterprise engaged in the manufacture of iron, steel, and other ferrous and non-ferrous metal products with AFAB, FSC enjoys certain tax incentives and its certificate of entitlement to tax incentives was renewed last December 28, 2021 for the year 2022.

In March 2020, FSC has already started with its land development. As of December 31, 2022, FSC has not yet started its commercial operations.

FNI Steel Landholdings Corporation (FSLC)

FSLC is a wholly-owned subsidiary of the Parent Company and was registered with the Philippine SEC on May 31, 2019. Its primary purpose is to engage in the business of managing real estate or interest therein, alone or in joint ventures with others and for this purpose acquire land by purchase, lease, donation, or otherwise, and to own, use, improve, subdivide, hold, administer, sell, convey, exchange, lease, mortgage, dispose of, work, develop, or otherwise deal in real property of any kind and interest or right therein and to construct, improve, manage, or otherwise dispose of buildings and other structures of whatever kind, together with their appurtenances whether for dwelling, commercial or industrial purposes. FSLC was incorporated to hold real properties of FSC. FSLC's principal office address is the same as that of the Parent Company.

On January 21, 2020, FSLC entered into a 25-year agreement with FSC to lease the 100,000 square meters land located at Barangay Alas-asin, Mariveles, Bataan, Philippines, for a consideration amounting to ₱5.00 per square meter or ₱500,000 every month. Lease payments will commence upon the commercial operations of FSC. FSLC classified the lease as operating lease since it retains all the risks and benefits of ownership of the land.

Mariveles Harbor Corporation (MHC; formerly known as Seasia Nectar Port Services Inc.)

MHC is 64.03% owned by the Parent Company and was registered with the SEC on July 11, 2014. It is primarily engaged to carry on the business of providing and rendering general services incidental to and necessarily connected with the operation and management of port terminals in the Philippines, which will involve the handling of containers, bulk liquid and dry cargoes, bagging of fertilizers, refrigerated warehousing facilities, warehousing and stevedoring, lightering, towing, and/or storing of cargo handled by MHC to and from port terminals in the delivery from abroad and/or for shipment abroad as may be necessary or incidental thereto. MHC's principal office address is at Mariveles Multi-Purpose Terminal, Mariveles Diversion Road, Freeport Area of Bataan, Brgy. Sisiman, Mariveles, Bataan.



On January 4, 2022, the Company was registered with the FAB as a Domestic Market Enterprise which entitled the Company to Special Corporate Income Tax (SCIT) incentive applicable for ten (10) years for the registered project or activity effective on January 1, 2022 to December 31, 2032. The Company has also been granted an incentive of duty exemption, VAT exemption on importation and VAT zero-rating on local purchases subject to compliance with the BIR and AFAB.

SPNVI

SPNVI is 59.37% owned by the Parent Company through PGMC and was registered with the SEC on July 11, 2014. It is primarily engaged to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market, and to market, sell at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products. SPNVI's principal office address is the same as that of the Parent Company.

On September 1, 2016, SPNVI and the Parent Company entered into a Deed of Assignment, wherein the Parent Company assigned, transferred, and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share. As a result of the above Deed of Assignment, the Parent Company acquired 37.50% of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than 20% of the voting power of SPNVI.

As part of the Parent Company's plan of concentrating its mining portfolio through its subsidiary, PGMC, the Parent Company and PGMC entered into the following transactions during the year:

- On December 2, 2022, the Parent Company and PGMC entered into a Deed of Assignment, wherein the Parent Company assigned, transferred, and conveyed all of its rights, title and interest to its receivables from SPNVI to PGMC, in the amount of ₱91.8 million, free from all liens and encumbrances.
- On December 21, 2022, the Parent Company and PGMC entered into a Deed of Sale of Shares, wherein the Parent Company sold, ceded, transferred, and conveyed to PGMC and PGMC purchased and acquired from the Parent Company the 300,000 common shares in SPNVI, in the amount of ₱0.3 million.
- On December 22, 2022, PGMC subscribed to a total of ₱91.8 million divided into 91,798,604 common shares with par value of ₱1.00 per share out of the ₱99.2 million increase in the authorized capital stock (ACS) of SPNVI. On the same date, PGMC and SPNVI entered into a Deed of Assignment, wherein PGMC assigned, transferred, and conveyed in favor of SPNVI ₱91.8 million, free from all liens and encumbrances, as payment for the shares subscribed.

These transactions resulted to the Parent Company's indirect ownership to SPNVI equal to 59.37% and gaining control over SPNVI and its subsidiaries (see Note 38). The 59.37% interest represents the indirect ownership of the Parent Company on SPNVI's all classes of outstanding shares, preferred and common. The Parent Company indirectly owns 99.44% of the outstanding common shares of SPNVI with voting power.

Ipilan Nickel Corporation (INC)

SPNVI wholly owns INC, a company registered with the SEC on July 22, 2005, for the primary purpose to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the area of Sitio Ipilan, Mambalot, Municipality of Brooke's Point, Province of Palawan, consisting of 2,835 hectares and covered by MPSA No. 017-93-IV, Amended 2000, by the Government of the Republic of the Philippines through the Secretary of the Department of Environment and Natural Resources (DENR).



Celestial Nickel Mining Exploration Corporation (CNMEC)

SPNVI directly owns 73.57% of CNMEC, a company registered with the SEC on December 17, 1979, for the primary purpose is to search for, prospect, explore, develop ores and mineral, to locate mining claims within the Philippines and record the same according to mining laws, and to purchase, take on lease, exchange or otherwise acquire mines, workings, mineral lands, mining claims, mineral, water and timer rights, foreshore leases, licenses concessions and grants, and other effects whatsoever which the Company may from time to time deem proper to be acquired for any of its purposes.

The Philippine Government through the DENR has granted MPSA No. 017-93-IV to CNMEC on August 5, 1993, which was later approved by the President of the Republic of the Philippines on September 18, 1993, covering an area of 2,835.0600 hectares in the Municipality of Brooke's Point, Province of Palawan. The MPSA No. 017-93-IV was amended on April 10, 2000, to conform to the provisions of Republic Act No. 7942 and was redominated as MPSA No. 017-93-IV-as Amended-2000. The DENR, in an Order dated December 21, 2020, clarified that the effective date of MPSA No. 017-93-IV-as Amended-2000 shall be reckoned on April 10, 2020, and shall expire on April 10, 2025. INC is the Operator of CNMEC by virtue of the January 19, 2005, Operating Agreement that was approved by the MGB through an Order dated April 20, 2015. Also, per the approved Survey Plan dated December 13, 2016, the contract area of MPSA No. 017-93-IV-as Amended-2000 is 2,917.2743 hectares.

Nickel Laterite Resources, Inc. (NLRI)

SPNVI directly owns 60% of NLRI, a company registered with SEC on July 22, 2005, for the primary purpose to subscribe for, purchase or otherwise acquire, obtain interests in, own, hold, pledge, hypothecate, assign, sell, exchange or otherwise dispose of and generally deal in and with personal properties and securities of every kind and description of any government, municipality or other political subdivision or agency, corporation, association or entity; to exercise any and all interest in respect of any such securities; and to promote, manage, participate in and act as agent for any purchasing or selling syndicate or group of investors and otherwise to take part in and assist, in any legal matter for the purchase and sale of any securities as may be allowed by law, without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.

The Associates

GHGC Holdings Ltd. (GHGC)

GHGC is an associate of the Parent Company and was incorporated in the British Virgin Islands (BVI) on April 14, 2011, whose principal activity is investment holding. The registered office of GHGC is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. It engages in trading nickel ore and other related mineral products.

On September 30, 2022, the Parent Company acquired 22.22% shareholding in GHGC through its shareholder, Gu Zhifang (the Seller), for US\$75.0 million or ₱4,270.6 million. The payment of the US\$75.0 million transaction price shall be made by offsetting the advances to the seller amounting to US\$23.2 million or ₱1,323.2 million, and the remaining balance of US\$51.8 million shall be non-interest bearing and to be paid to the Seller in cash installments amounting to US\$10.0 million annually until fully paid (see Note 9).

GHGC owns 90% shareholding in Guangdong Century Tsingshan Nickel Industry Company Limited (GCTN). GCTN is a nickel alloy enterprise in China that is processing laterite nickel ore and is selling nickel pig iron. It operates a 33-hectare area with more than 600 employees. GCTN is one of the most competitive smelters with Rotary kiln-electric furnace (RKEF) technology. The rotary kiln can feed up to four (4) furnaces and is estimated to produce about 28,000 tons of pure nickel at its optimum. GCTN's wholly owned subsidiary is Yangjiang Zichen Port and Logistic Limited Company, located near Yangjiang Harbour, Hailing Cove area.



Acquiring 22.22% shareholding in GHGC gives the Parent Company 20% indirect ownership in GCTN. This acquisition will enhance synergies between the Parent Company and its subsidiaries as a nickel ore supplier and GCTN as a value-added processor, provide consistent and reliable trade transactions between parties, increase profitability and support the expansion and diversification projects of the Parent Company.

Authorization for Issue

The accompanying consolidated financial statements of GFNI 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 were authorized for issuance by the BOD on March 24, 2023.

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

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income (FVOCI) in 2022 and 2021, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries is Philippine peso, except for PIL and WHCL whose functional currency is Hong Kong Dollar (HK\$). All values are rounded to the nearest thousand (₱000), except number of shares, per share data, price per wet metric ton (WMT) and as indicated.

Acquisition of PGMC, SIRC, and PCSSC (PGMC Group)

As discussed in Note 1, the Parent Company and the 13 Stockholders of PGMC entered into a Share Swap that resulted to the Parent Company owning 99.85% of PGMC.

The transaction is an asset acquisition because GFNI does not meet the definition of a business. PGMC was deemed to be the accounting acquirer for accounting purposes accounted for under the reverse acquisition method following the guidance provided by the standard. In a reverse acquisition, the legal parent, GFNI is identified as the acquiree for accounting purposes because, based on the substance of the transaction, the legal subsidiary, PGMC is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of GFNI have been prepared as a continuation of the financial statements of PGMC Group. PGMC has accounted for the acquisition of GFNI on December 22, 2014, which was the date when PGMC acquired or gained control over GFNI.

The Share Swap transaction was a transaction between entities under common control since at acquisition date on December 22, 2014, GFNI and PGMC are under the common control of the 13 Stockholders.

The "Equity reserve" presented in the consolidated statements of changes in equity is the difference between the capital structure of PGMC Group and GFNI. Refer to Note 20 for the movements in the "Equity reserve" account.

Because the accompanying consolidated financial statements represent a continuation of the financial statements of PGMC Group, except for its capital structure, the consolidation reflects:

- a. The consolidated assets and liabilities of PGMC Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts and not at fair value, and the assets and liabilities of GFNI (legal parent/accounting acquiree) were recognized and measured at acquisition cost
- b. The retained earnings of PGMC Group for full period together with the post-combination results of GFNI from December 22, 2014, the date when GFNI was acquired by PGMC
- c. The total equity that shows the combined equity of PGMC Group and GFNI. However, the legal capital of PGMC Group will be eliminated as the legal capital that will be reflected would be that of GFNI (legal parent)



- d. Any difference between the consideration transferred by GFNI and the legal capital of PGMC Group that is eliminated is reflected as “Equity reserve” (see Note 20).

Basis of Consolidation

The consolidated financial statements as at December 31, 2022 and 2021 include the following:

<i>Subsidiaries</i>	Principal Place of Business	Principal Activities	Effective Ownership	
			2022	2021
PGMC	Philippines	Mining	99.98%	99.98%
SIRC ⁽¹⁾	Philippines	Mining	99.98%	99.98%
PCSSC ⁽¹⁾	Philippines	Services	99.98%	99.98%
PIL ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
WHCL ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
FSLC ⁽²⁾	Philippines	Landholdings	100.00%	100.00%
FSC ⁽²⁾	Philippines	Manufacturing	100.00%	100.00%
MHC ⁽³⁾	Philippines	Port Operations	64.03%	64.03%
SPNVI ⁽⁴⁾	Philippines	Holding/Mining	59.37%	0.47%
INC ⁽⁶⁾	Philippines	Holding/Mining	59.37%	-
CNMEC ⁽⁶⁾	Philippines	Holding/Mining	59.37%	-
NLRI ⁽⁶⁾	Philippines	Holding/Mining	59.37%	-
<i>Associates</i>				
GHGC ⁽⁵⁾	British Virgin Islands	Holding	22.22%	-
GCTN ⁽⁵⁾	China	Nickel Processing	20.00%	-

(1) Indirect ownership through PGMC.

(2) On November 9, 2021, FSC and FSLC became wholly-owned subsidiaries of the Parent Company when Huarong Asia Limited relinquished its interest in FSC and FSLC in favor of the Parent Company.

(3) On December 29, 2021, the Parent Company's equity interest in MHC increased from 40.05% to 64.03% as a result of the purchase of additional interest from Nectar Group Limited, an existing stockholder.

(4) This represents the ownership of the Parent Company on SPNVI's all classes of outstanding shares, preferred and common. The Parent Company indirectly owns 99.44% and 37.50% of the outstanding shares of SPNVI with voting power as at December 31, 2022 and 2021, respectively.

(5) On September 30, 2022, the Parent Company acquired 22.22% shareholding in GHGC, with 90% ownership in GCTN, through its shareholder, Gu Zhifang.

(6) This represents the indirect ownership of the Parent Company to the subsidiaries of SPNVI.

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform and consistent accounting policies. When necessary, adjustments are made to the stand-alone financial statements of 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. The Parent Company controls an investee if and only if the Parent Company has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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



The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Consolidated statement of income and each component of other comprehensive income (OCI) 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 and 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 the 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Standard Interpretation Committee (SIC)/Philippine Interpretation based on the International Financial Reporting Interpretations Committee (IFRIC). All of which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements.

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



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

These amendments have no impact on the consolidated financial statements of the Group.

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

These amendments have no impact on the Group's consolidated financial statements.

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

These amendments have no impact on the consolidated financial statements since the Group does not have onerous contracts.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.
 - *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

These amendments do have significant impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.



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*

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive 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 the normal operating cycle
- It is held primarily for trading
- It is expected to be realized within twelve (12) months after the end of the reporting period, or
- It is 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 reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for trading
- It is due to be settled within twelve (12) months after the end of the 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 reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.



Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in banks, and short-term cash investments. Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition. These earn interest at the respective short-term cash investment rates and are subject to an insignificant risk of changes in value.

Fair Value Measurement

The Group measures financial instruments at fair value at each 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 by 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 non-financial 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) 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 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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the 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. When there is no active market, the fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounting 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.



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.

Financial Assets

Initial Recognition, Classification and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the 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, directly attributable transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

The 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.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial Assets at Amortized cost (Debt Instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 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 profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables, advances to contractors, advances to related parties and restricted cash under "Other noncurrent assets".



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 comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at FVOCI.

Financial Assets at FVOCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted equity instrument under this category. As at December 31, 2022 and 2021, equity instruments at FVOCI include the Group's quoted equity instrument under "Other noncurrent assets" (see Note 12).

Financial Assets at FVTPL (Debt Instruments)

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 to sell or repurchase 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 comprehensive income.

The Group does not have debt instruments at FVTPL.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the summary of significant accounting judgments, estimates and assumptions (see Note 3).



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.

If, in a subsequent period, the amount of ECL decreases and the decrease can be related objectively to an event occurring after the provision for ECL was recognized, the previously recognized ECL is reversed. Any subsequent reversal is recognized in profit or loss, to the extent that the carrying value of the financial asset does not exceed its amortized cost at the reversal date.

For cash and cash equivalents, and restricted cash under "Other noncurrent assets", the Group applies the low credit risk simplification under general approach. The probability of default (PD) and loss given default (LGD) are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 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 Bloomberg to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs.

For trade receivables under "Trade and other receivables", the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For advances to related parties, ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are ninety (90) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one (1) year and not subject to enforcement activity.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group retain the right to receive cash flows from the asset, but has assumed an obligation to pay the received cash flows in full without, material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all 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 pass-through 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 the Group's continuing involvement. In that case, the Group also recognizes an associated liability.



The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 pay.

Financial Liabilities

Initial Recognition, Classification and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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 “Other income (charges)”. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Group’s financial liabilities include trade and other payables (excluding statutory payables), loans payable, lease liabilities under PFRS 16, advances from related parties, noninterest-bearing liability and payable to Brooks Nickel Ventures Inc. (BNVI) and previous stockholders of CNMEC which are under “Other current liabilities”. As at December 31, 2022 and 2021, the Group has no financial liabilities at FVTPL or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Financial Liabilities at Amortized Cost (Loans and Borrowings and Trade and Other Payables)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as “Finance costs” in the consolidated statement of comprehensive income.



Derecognition

A financial liability is derecognized when the associated obligation is discharged, 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.

The difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, is recognized in the consolidated statement of comprehensive income.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. Otherwise, the day 1 difference is deferred. In cases wherein instrument is derecognized, the difference between the transaction price and the carrying amount of the instrument is recognized in the statement of comprehensive income. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” profit or loss amount.

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 set-off the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it currently has an enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories 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 nickel ore inventories exceeding a determined cut-off grade and moving average method for materials and supplies. This includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The NRV of nickel ore inventories is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The NRV of materials and supplies is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Prepayments and Other Current and Noncurrent Assets

Prepayments and other current assets are composed of prepaid rent, prepaid insurance, creditable withholding taxes (CWT), prepaid taxes and licenses, restricted cash which is currently classified under “Other noncurrent assets” and others. Other noncurrent assets are composed of restricted cash, mine rehabilitation fund (MRF), input VAT, advances to suppliers, financial assets at FVOCI and others. These are classified as current when these are probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

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 in the consolidated statement of financial position as part of “Other noncurrent assets” to the extent of the recoverable amount.

Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and depletion and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Likewise, when significant parts of equipment are required to be repaired at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, 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 impairment in value. All other repairs and maintenance are recognized in profit or loss as incurred.

Construction in-progress (CIP) is stated at cost and is not depreciated until such time that the relevant assets are completed and become available for use. This also includes amortization of right-of-use assets.

In 2019, upon adoption of PFRS 16, *Leases*, the Group recognized the right-of-use assets as part of property and equipment. Prior to adoption date, the Group’s operating leases are recognized in accordance with PAS 17, *Leases*, and no such right-of-use assets are recognized in the consolidated statement of financial position.

Depreciation of property and equipment, excluding mining properties, are computed on a straight-line basis over the following estimated useful lives of the respective assets:

<u>Category</u>	<u>Number of Years</u>
Building and leasehold improvements	5-25
Right of use asset	3-10
Machineries and other equipment	2-10
Furniture and fixtures, and equipment	2-5
Roads and bridges	10-15

Leasehold improvements include building improvements and port facilities which are amortized over the term of the lease or the estimated useful life of five (5) to twenty-five (25) years, whichever is shorter.

Mining properties consist of mine development costs and capitalized costs of mine rehabilitation and decommissioning, and other development costs necessary to prepare the area for operations.

Mine development costs consist of capitalized costs previously carried under “Mine exploration costs”, which are transferred to mining properties under “Property and equipment” upon start of commercial operations. The net carrying amount of mine development costs, including the capitalized cost of mine rehabilitation and decommissioning, is depleted using the unit-of-production (UOP) method based on the estimated economically recoverable ore reserves to which they relate or are written off if the property is abandoned.

Depreciation 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 and depletion ceases when the assets are fully depreciated 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 estimated ore reserves, useful lives, residual values and depreciation and depletion methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values are reviewed and adjusted, if appropriate, at



each end of the reporting period. If there is an indication that there has been a significant change in depreciation and depletion rate, useful life, estimated ore reserves or residual value of an asset, the depreciation and depletion of that asset is revised prospectively to reflect the new expectations.

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 comprehensive income in the year the asset is derecognized.

The residual values and useful lives of property and equipment are reviewed at each end of the reporting period and adjusted prospectively, if appropriate. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Mine Exploration Costs

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as an asset when future economic benefit is more likely than not to be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when commercial reserves are established. Upon the start of commercial operations, such costs are transferred to property and equipment. 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.

Mining Rights

Mining rights refer to the right of the Group as the holder of the MPSA located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from CMDC to the Group under the Deed of Assignment. It also includes initial mine exploration costs incurred by the Group relative to the exploration works on the mining properties. The amortization of mining rights commences upon the start of production.

Mining rights with finite useful life are stated at cost less amortization and accumulated impairment in value. Impairment assessments are made if events or changes of circumstances indicate that the carrying value of the assets may not be recoverable.

The net carrying amount of mining rights of the Group is amortized using the UOP method based on the estimated economically recoverable reserves to which they relate or are written off if the properties covered by the mining rights are abandoned.

Deposits for Future Acquisition

This pertains to the advances made to related parties which were converted into deposits for future acquisition with the intention of applying the same as payment for future acquisition of stock. This is classified as part of the net investment in associate accounted for using the equity method in which deposits for future acquisition is initially recognized at cost. The carrying amount is adjusted thereafter for the post-acquisition change in the Group's share in the net assets of the investee. In cases wherein the deposits for future acquisition is derecognized and reclassified as financial instrument, the difference between the fair value of financial instrument and carrying amount of the derecognized deposits for future acquisition is recognized in the statement of comprehensive income.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If the Group holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the Group has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Group holds, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the Group



does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Group from having significant influence.

In determining whether significant influence exists, the Group considers one or more of the following factors:

- Representation on the board of directors or equivalent governing body of the investee
- Participation in policy-making processes, including participation in decisions about dividends or other distributions
- Material transactions between the entity and its investee
- Interchange of managerial personnel, or
- Provision of essential technical information.

In situations where investments give rise to only slightly less than 20%, the Group's management exercises judgment in determining whether significant influence may exist.

The Group identifies the acquisition date of an acquisition of associate acquired in the middle of the month as acquired in the beginning of the month.

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.

Under the equity method, an investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, 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 statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

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 comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Impairment of Non-Financial Assets

Prepayments and Other Current and Noncurrent Assets, Property and Equipment, Deposits for Future Acquisition, Mining Rights, Mine Exploration Costs and Investments in Associates

The Group assesses, at each end of the 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 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 (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost 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 participant at the measurement date less the costs of disposal, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in "General and administrative expenses" in the consolidated statement of comprehensive income.

Recovery of impairment losses 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 comprehensive 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, depletion and amortization) had no impairment loss been recognized for that asset in prior years.

After application of the equity method for investment in an associate, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in an associate, including long-term interests, that, in substance, form part of the Group's net investment in associate. The Group determines at the end of the reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income. Recoverable amount is determined as the higher between fair value less cost to sell and VIU.

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 associate. At the end of each 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 comprehensive income.

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, at the end of the reporting period in which this is determined.

Mine exploration costs are reassessed on a regular basis. 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 Group 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.



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 reporting period and adjusted to reflect the current best estimate. When the Group expects some or all of a provision to be reimbursed, for example under a settlement agreement, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, 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 "Finance costs" in the consolidated statement of comprehensive 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 demolition of infrastructures, removal of residual materials and remediation of disturbed 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 risk specific to the liability. The periodic unwinding of the discount is recognized in "Finance costs" in the consolidated statement of comprehensive 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.

Where 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 reporting period and the cost is charged to the consolidated statement of comprehensive income.

Decrease in provision for mine rehabilitation and decommissioning that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in the consolidated statement of comprehensive 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.

MRF committed for use in satisfying environmental obligations is included under "Other Noncurrent Assets" in the consolidated statement of financial position.

OCI

OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRSs.



Capital Stock and Additional Paid-in Capital (APIC)

Common shares are classified as equity.

Subscribed capital stock is reported in equity less the related subscription receivable not collectible currently.

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 APIC.

The APIC is reduced by the transaction costs directly incurred by the Group in relation to issuance of shares. The transaction costs include, but are not limited to, underwriting fees, legal, audit and other professional fees, documentary stamp tax, registration fees, prospectus design, and printing and publication costs, and others.

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares is recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (1) APIC to the extent of the specific or average APIC when the shares are issued, and (2) retained earnings. When shares are sold, the treasury shares account is credited and reduced by the cost of the shares sold. The excess of any consideration over the cost are recognized in the APIC.

Share-based Payment Transactions

Employees (including senior 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 transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 20.

That cost is recognized in stock grant expense under "Personnel costs" (see Note 26), together with a corresponding increase in equity (other capital reserves), over the period in which the service conditions and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate recognition of expense of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.



When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Equity Reserve

Equity reserve represents the residual amount recognized in the consolidated financial statements to reflect the equity of the legal subsidiary (accounting acquirer) before the business combination, which was accounted for as a reverse acquisition. The equity structure, i.e., (the number and type of equity instruments issued) still reflects the equity structure of the legal parent (accounting acquiree), including the equity instruments issued by the legal parent to effect the combination.

NCI

NCI represents the portion of profit or loss and the net assets in subsidiaries, not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company.

Business Combinations and Goodwill/Gain on a Bargain Purchase (Negative Goodwill)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group measures the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are included in the "General and administrative expenses" in the consolidated statement of comprehensive income.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Mineral reserves, resources and exploration potential that can be reliably measured are recognized separately in the assessment of fair values on acquisition. Other potential reserves, resourced or rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

When the Group's initial accounting for a business combination is incomplete by the end of the reporting period which the Group acquires a business, the Group reports in its consolidated financial statements the provisional amounts for assets and liabilities which the accounting is incomplete. During the measurement period, the Group retroactively adjusts the provisional amounts recognized at the acquisition date and may also recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill.



Any contingent consideration to be transferred by the acquiree will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value, which changes in fair value recognized in the consolidated statement of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each end of the reporting period with changes in fair value recognized in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the identifiable net assets acquired and liabilities assumed). If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized as bargain purchase gain in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU that are expected to benefit from the combination, irrespective of whether the other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

Reverse Acquisition

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but described in the notes as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. That adjustment is required to reflect the capital of the legal parent (the accounting acquiree). Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

Business Combination under Common Control

Combination of entities under common control are accounted for by applying the pooling-of-interests method. The pooling-of-interests method generally involved the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the entity acquired is reflected within equity.
- The consolidated statement of comprehensive income and cash flows reflect the result of the combining entities in full starting from the business combination.
- No restatement of financial information for periods prior to the date of business combination.
- The effects of any intercompany transactions are eliminated to the extent possible.



Asset Acquisition

The transfers of shares from PIL to PGMC constitutes an asset acquisition as these do not pertain to an integrated set of activities and assets that are capable of being conducted and managed to generate output and for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or to the stockholders.

Earnings per Share (EPS)

Basic EPS is calculated by dividing net income attributable to the common equity holders of the Parent Company by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is calculated by dividing the net income attributable to common 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.

Since the Parent Company has no potential dilutive common shares, basic and diluted EPS are stated at the same amount.

Segment Reporting

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group reports its primary segment information based on business segments. Financial information on segment reporting is presented in Note 39 to the consolidated financial statements.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and other capital adjustments, net of dividend declaration.

Dividend distribution to the Group's stockholders is recognized as a liability and deducted from retained earnings when they are approved by the Group's BOD.

Property dividends are declared based on the fair value fixed by the BOD on the date of declaration. The excess of the cost over the fair value fixed by the BOD for the treasury shares distributed as property dividends is debited to the following accounts in the order given: (1) APIC to the extent of the specific or average APIC when the shares are issued, and (2) retained earnings.

Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Revenue from Contracts with Customers - Sale of Beneficiated Nickel Ore

The Group is principally engaged in the business of producing beneficiated nickel ore. Revenue from contracts with customers is recognized when the control of the goods or services are 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 buyer.

The following specific recognition criteria must also be met before revenue is recognized:

Despatch

Despatch is recognized when shipment loading is completed within the allowable laytime.



Demurrage

Demurrage is incurred by the Group in respect of the time by which the allowable loading laytime has been exceeded and this is reimbursed by the Group to the buyer.

Interest Income

Interest income is recognized as the interest accrues (using the EIR 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).

Other Income

Other income is recognized in the consolidated statement of comprehensive income as they are earned.

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).

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 whereby a portion of the cash may be received from the customer before the loading of ore is fully completed and which is before satisfaction of the performance obligation.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the reporting period in the form of outflows or decreases in assets or incurrences of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are generally recognized in the consolidated statement of comprehensive income 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. This mainly consists of contract hire, depreciation, depletion and amortization, personnel costs, environmental protection cost, repairs and maintenance, community relations, fuel, oil and lubricants, assaying and laboratory and others, which are provided in the period when the goods are delivered.

Operating Expenses

Operating expenses consist of costs associated with the development and execution of expenses incurred in the direction and general administration of day-to-day operations of the Group, excise taxes and royalties due to government and other third parties, and shipping and distribution activities. These are generally recognized when the expenses arise.



Leases

The Group assesses at contract inception, all arrangements to determine whether a contract is, or contains a lease that is based on the substance of the arrangement at the inception date. That is, if the contract conveys the right to control the use of an identified asset, even if the right is not explicitly specified in the contract, for a period of time in exchange for consideration. The Group determined that it is not a lessor in any of its contracts, it is only a lessee.

Group as a Lessee

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 right-of-use assets representing the right to use the underlying assets.

Right-of-use (ROU) Asset

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

A lease modification is a change in the scope of the lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. It can result in a separate lease or a change in the accounting of existing lease contract. The Group accounts for a lease modification as a separate lease if (a) the modification increase the scope of the lease by adding the right to use one or more underlying assets, and (b) the consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract. Otherwise, the lease modification is not accounted for as a separate lease.

For a lease modification that is not accounted for as a separate lease, the Group allocates the consideration in the contract and remeasure the lease liability using the lease term of the modified lease and the discount rate (the interest rate implicit in the lease for the remainder of the lease term if the rate can be readily be



determined or the Group's incremental borrowing rate) as determined at the effective date of the lease modification. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset without affecting profit or loss.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties and machinery 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 leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Retirement Benefits Costs

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

The plan meets the minimum requirement benefit specified under Republic Act (RA) No. 7641, *Retirement Pay Law*. 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. These amounts are calculated periodically by independent qualified actuaries.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefits costs" included as part of "Personnel costs" under "Cost of sales" and "General and administrative expenses" in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Finance costs" or "Finance income", respectively, in the consolidated statement of comprehensive 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are retained in OCI which is presented as "Remeasurement gain (loss) on retirement obligation" under equity.

Plan assets are assets that are held by a long-term employee benefit fund. 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 the assets (or, if they have no maturity, the expected period until the settlement of retirement 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 of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered services in exchange for those benefits.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the prevailing functional currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the closing functional currency rate of exchange at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. All differences are taken to the consolidated statement of comprehensive income.

The financial statements of the foreign consolidated subsidiary are translated at closing exchange rates with respect to the consolidated statement of financial position, and at the average exchange rates for the year with respect to the consolidated statement of comprehensive income. Resulting translation differences are included in equity under "Cumulative translation adjustment". Upon disposal of the foreign subsidiary, accumulated exchange differences are recognized in the consolidated statement of comprehensive income as a component of the gain or loss on disposal.

Income Taxes

Current income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

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

- Where the deferred 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 income nor taxable income or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO).

Deferred tax assets are recognized to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the current income tax relating to items in equity carryforward of unused tax credits and unused tax losses can be utilized except:

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



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

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred tax assets to be recovered.

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in OCI or directly in equity.

Contingencies

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

Events After the End of the Reporting Period

Events after the end of the reporting period that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the end of the reporting period up to auditor's report that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and 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.

Accounting 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 outcomes can differ from these estimates.

Other disclosures relating to the Group's exposure to risk and uncertainties include financial risk management, policies, sensitivity analyses' disclosures and capital management (see Note 32).



Judgments

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

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 or development cost estimates
- Completion of a reasonable period of testing of the property and equipment
- Ability to produce ore in saleable form
- Ability to sustain ongoing production of ore

When a mine development project moves into the production stage, the capitalization of certain mine construction or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation or depletion commences.

Assessing Unit-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 in accordance with PAS 8.

Sale of Beneficiated Nickel Ore

Identifying the Enforceable Contract

The Group's primary document for a contract with a customer is a signed Individual Purchase & Sales Contract (IPSC). The Group made an irrevocable and firm commitment to sell nickel ore, while the buyer made an irrevocable and firm commitment to purchase nickel ore under the terms and conditions specified and agreed upon in the IPSC. From time to time throughout the year and as necessary, the parties executed addendums to the IPSC to deliver nickel ore with quantity and specifications indicated therein. The enforceable contracts have been determined to be the IPSCs and the addendums thereon.

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: (a) each distinct good or services in the series are transferred over time, and (b) 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, the Group and its buyers agree to respectively sell and purchase a specific quantity of nickel ore during the term of the sales contracts. This performance obligation is a promise to transfer to the buyer distinct goods (i.e. nickel ore) 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 which shall be satisfied once the control of the goods has been transferred to the buyer at a point in time.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Group assessed that it has variable consideration pertaining to quality of ore shipped to customer. The variability arises from the uncertainty of final quality 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.

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 not fully constrained based on its historical experience (i.e., quality and unit price adjustments) and the unpredictability of other factors outside the Group's influence.

The final ore price shall be based on the results of the final assay testing as determined per IPSC.

Determining the Timing of Satisfaction of the Sale of Ore

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 considered to be 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 sale of ore is 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.

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 flows. 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

Upon adoption of PFRS 9, 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 ninety (90) 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 assets 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 exposure at default (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

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

In the Group's ECL models, it relies on forward looking information as economic inputs such as dollar index and inflation rates.

Predicted relationships between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data. 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 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 30 days past due. Days past due are determined by counting the number of days since 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 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 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 30 days past due, are considered to have a low credit risk. The provision for ECLs for these financial assets is based on a 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 also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group, except PIL and WHCL, has been determined to be the Philippine peso. The functional currency of PIL and WHCL have been determined to be the HK\$. The Philippine peso and the HK\$ are the currencies that most faithfully represent the economic substance of the Group's underlying transactions, events and conditions.

Business Combinations

Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The Group's acquisitions of MHC have been accounted for as business combination (see Note 38).

Combination of Entities under Common Control

In assessing whether a business combination is under common control, the Group determined whether the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group, provided the transaction meets the definition of a business combination in PFRS 3.

The Group assessed that the step acquisition of SPNVI through PGMC is a business combination under common control since both PGMC and SPNVI are owned by the same controlling party before and after December 22, 2022, date of acquisition (see Notes 1 and 38).

Assessing Existence of Significant Influence

In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as the board seat representations it has in the associate's governing body and its interchange of managerial personnel with the associate, among others.

As stated in Note 1, on December 22, 2022, PGMC subscribed to the primary shares, as well as purchase the outstanding 300,000 common shares of the Parent Company, in SPNVI. This resulted to the Group's 59.37% and 99.44% ownership on SPNVI's all classes of outstanding shares, preferred and common, and outstanding common shares with voting power, respectively. As a result, the Group gained control over SPNVI on December 22, 2022 as it has power, exposure to variable returns, and the ability to use its power to affect the returns to SPNVI. Consequently, as at December 31, 2022, the Group assessed that it no longer has significant influence over SPNVI and has considered it to be one of its subsidiaries (see notes 9 and 39).

Moreover, on September 30, 2022, the Group acquired 22.22% shareholding in GHGC and assessed that it has significant influence over GHGC and has accounted for the investment as an investment in associate (see Note 9).



Determination of Lease Term of Contracts with Renewal and Termination Options (Judgements effective January 1, 2019)

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.

The renewal period for lease of the properties and machinery and equipment is not included as part of the lease term as this is not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Determining the Purchase Price Allocation

In assessing the fair value adjustments related to the valuation of nonfinancial assets acquired under business combination, the independent appraiser determines the fair value of the acquiree's property and equipment and intangible assets using the market approach. The method uses recent prices of similar properties as the basis to which the value of the property is taken, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis for determining fair value.

Estimating Allowance for ECL on Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, Security Deposits and Restricted Cash under "Other noncurrent Assets"

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 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 customers' actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 5.



ECLs are derived from unbiased and probability-weighted estimates of expected loss. The ECLs for the Group's financial assets which are not credit-impaired at the reporting period are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

For the Group's advances to related parties, the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECL that results from default events on a financial instrument that are possible within twelve (12) months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information. Significant management's judgment and estimate is also required to determine the realizable amount of the financial asset based on cashflow forecast, which requires the use of significant assumptions such as projected sales volume, commodity prices, production costs and foreign exchange rates.

As at December 31, 2022 and 2021, total financial assets of the Group amounted to ₱6,324.5 million and ₱6,995.2 million, respectively. Allowance for ECL on financial assets amounted to ₱289.3 million and ₱265.7 million as at December 31, 2022 and 2021, respectively (see Notes 4, 5, 12, and 32).

Estimating the Incremental Borrowing Rate - Leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR 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 right-of-use asset in a similar economic environment. The IBR 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 IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as lease term and the Group's stand-alone credit rating).

The Group's lease liabilities amounted to ₱835.6 million and ₱824.0 million as at December 31, 2022 and 2021, respectively (see Note 18). The IBR used to recognize right-of-use assets is 5.3% to 7.5% in 2022 and 4.5% to 7.5% in 2021.

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 ore reserves may affect the carrying value of mine exploration costs, property and equipment, provision for mine rehabilitation and decommissioning and depreciation, depletion and amortization. Any change in the ore reserves as a result of the latest available information is accounted for prospectively.

PGMC

Effective November 1, 2020, there was a change in the ore reserves used in calculating the depletion rates used for the depletion of mining properties. The change was based on the latest PMRC-CP Technical Report dated December 15, 2020 (as of October 15, 2020 cut-off reserve) compared to the PMRC-CP Technical Report dated December 15, 2019 (as of October 20, 2019 cut-off reserve) with proven and probable ore reserves of 34.3 million WMT and 32.7 million WMT, respectively, for operating CAGAs 2, 3 and 4 in 2020 and 2019, out of the total proven and probable reserves of 48.6 million WMT and 43.4 million WMT,



respectively, for CAGAs 1 to 5. In addition, the latest PMRC-CP Technical Report dated December 15, 2020 also includes proven and probable ore reserves of 6.09 million WMT and 4.76 million WMT for CAGA 6 and 7, respectively (see Note 8).

Effective January 1, 2022, there was a change in the ore reserves used in calculating the depletion rates used for the depletion of mining properties and amortization rate used for the amortization of mining rights. The change was based on the latest PMRC-CP Technical Report dated December 31, 2021 (as of October 15, 2021 cut-off reserve) with total proven and probable reserves of 57.4 million WMT. Out of this, proven and probable ore reserves attributed to CAGA 1, 2, 3, 4, 5, 6 and 7 are 12.1 million WMT, 8.3 million WMT, 7.3 million WMT, 14.9 million WMT, 1.7 million WMT, 6.5 million WMT, and 6.6 million WMT, respectively.

The change in estimates on January 1, 2022 resulted in a lower depletion of mining properties and amortization of mining rights amounting to ₱55.2 million and ₱82.1 million in 2022 and 2021, respectively.

INC
In April 2022, INC has ore reserve estimates amounting to 36.9 million WMT which is used in calculating the depletion rates used for the depletion of mining properties. The ore reserve estimates is based on the latest PMRC-CP Technical Report dated December 31, 2021. There are no changes in the ore reserve estimates as at December 31, 2022.

Assessing Recoverability of Mining Rights and Mine Exploration Costs

The application of the Group's accounting policy for mining rights and mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain. Mining rights and exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. Estimates and assumptions made may change if new information becomes available. The ability of the Group to recover its mine exploration costs would depend on the viability of ore reserves. If, after mining rights and mine exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of these assets do not exceed their fair value.

As at December 31, 2022 and 2021, mining rights amounted to ₱117.3 million and ₱125.6 million, respectively. Allowance for impairment losses on mining rights amounted to nil as at December 31, 2022 and 2021 (see Note 10).

As at December 31, 2022 and 2021, mine exploration costs amounted to ₱179.0 million and ₱147.3 million, respectively. Allowance for impairment losses on mine exploration costs amounted to nil as at December 31, 2022 and 2021 (see Note 11).

Estimating Allowance for Inventory Losses

The Group maintains allowance for inventory losses at a level considered adequate to effect the excess of cost of inventories over their NRV due to damage, physical deterioration, obsolescence, changes in price levels or other causes. NRV tests are performed annually and it represents the current replacement cost. Increase in NRV of inventories will increase the cost of inventories but only to the extent of their original costs.

As at December 31, 2022 and 2021, inventories amounted to ₱292.3 million and ₱269.5 million, respectively. Allowance for impairment losses on inventories amounted to ₱11.6 million and ₱7.5 million as at December 31, 2022 and 2021, respectively (see Note 6).

Estimating Allowance for Impairment Losses on Nonfinancial Current and Noncurrent Assets

The Group provides allowance for impairment losses on other noncurrent 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 allowance for impairment losses would increase recorded expenses and decrease other noncurrent assets.



As at December 31, 2022 and 2021, nonfinancial other noncurrent assets amounted to ₱1,560.4 million and ₱836.9 million, respectively. Provision for impairment losses on nonfinancial other noncurrent assets amounted to ₱3.3 million, ₱3.9 million and ₱160.9 million in 2022, 2021 and 2020, respectively. Allowance for impairment losses on nonfinancial other noncurrent assets amounted to ₱218.8 million and ₱209.8 million as at December 31, 2022 and 2021, respectively (see Notes 7, 10, 11 and 12).

Assessing Recoverability of Property and Equipment

The Group assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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
- 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 financial statements.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes 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 earnings if the discounted expected future cash flows are less than the carrying amount. Fair value 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, property and equipment amounted to ₱5,904.2 million and ₱4,383.7 million respectively. Allowance for impairment losses on property and equipment amounted to nil as at December 31, 2022 and 2021 (see Note 8).

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 and decommissioning 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. In addition, the expected timing of expenditure can also change, for example in response to changes in mineral reserves or production rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability.

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 full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. These estimates are reviewed regularly to take into account 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.



As at December 31, 2022 and 2021, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates and expenditures required to settle the expected mined out areas of the Group, which resulted to a change in estimate amounting to ₱119.5 million and ₱31.4 million, respectively. As at December 31, 2022 and 2021, provision for mine rehabilitation and decommissioning amounted to ₱261.0 million and ₱305.4 million, respectively (see Note 16).

Assessing Recoverability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of sufficient future taxable income together with future tax planning strategies.

The Group has deferred tax assets amounting to ₱143.2 million and ₱103.6 million as at December 31, 2022 and 2021, respectively. The Group's NOLCO amounted to ₱163.5 million, ₱178.7 million, and ₱274.3 million as at December 31, 2022, 2021 and 2020, respectively. The Group recognized deferred tax assets on NOLCO amounting to ₱2.3 million as at December 31, 2022 and 2021, respectively (see Note 31).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	₱1,873	₱1,011
Cash in banks	3,156,946	3,748,037
Short-term cash investments	21,766	72,129
	₱3,180,585	₱3,821,177

Interest income earned on cash in banks amounted to ₱8.1 million, ₱1.0 million and ₱1.1 million in 2022, 2021 and 2020, respectively.

Short-term cash investments earn interest at the respective short-term cash investment rates. These are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group. Interest income earned on short-term cash investments amounting to ₱0.2 million, ₱0.2 million and ₱0.7 million was earned on short-term cash investments in 2022, 2021 and 2020, respectively.

The Group has US\$-denominated cash and cash equivalents amounting to US\$13.5 million and US\$32.4 million as at December 31, 2022 and 2021, respectively, and HK\$-denominated cash and cash equivalents amounting to HK\$217.0 million and HK\$257.9 million as at December 31, 2022 and 2021, respectively (see Note 32).

5. Trade and Other Receivables

	2022	2021
Trade	₱2,090,147	₱209,260
Advances to:		
Contractors	208,004	92,588
Officers, employees and others	144,780	27,212
Income tax receivable	90,746	-
	2,533,677	329,060
Less: Allowance for ECL	289,286	265,712
	₱2,244,391	₱63,348



Trade Receivables

Trade receivables arising from shipment of nickel ore are noninterest-bearing and generally collectible within 30 to 90 days. In 2022, the Group evaluated the recoverability of the trade and other receivables based on expected credit loss. The Group recognized provision for ECL on trade receivables amounting to ₱23.6 million in 2022. Allowance for ECL on trade receivables amounted to ₱209.6 million and ₱186.0 million as at December 31, 2022 and 2021, respectively.

The Group has US\$-denominated trade receivables as at December 31, 2022 and 2021 amounting to US\$12.9 million and US\$3.6 million, respectively, and HK\$-denominated trade receivables amounting to nil and HK\$8.9 million as at December 31, 2022 and 2021, respectively (see Note 32).

Advances to Contractors

Advances to contractors are cash advances to mining contractors which are collectible in cash or advanced payments for future contract hire fees. Advances to contractors which are collectible in cash amounted to ₱79.7 million as at December 31, 2022 and 2021. Advances to contractors which pertain to advanced payments for future contract billings amounted to ₱128.3 million and ₱12.9 million as at December 31, 2022 and 2021, respectively. No provision for ECL on advances to contractors in 2022, 2021 and 2020. Allowance for ECL on advances to contractors amounted to ₱79.7 million as at December 31, 2022 and 2021. For advances to contractors which can be offset against future billings of contractors, these are expected to be realized within 12 months after the reporting period.

Advances to Officers, Employees and Others

The Group provides cash advances to its officers and employees for various business-related expenses incurred which are subject for liquidation generally within 30 days. Other advances include advances to third party companies which are collectible upon demand. No provision for ECL on advances to third party companies was recognized in 2022, 2021 and 2020. Allowance for ECL on advances to third party companies amounted to nil as at December 31, 2022 and 2021.

Income tax receivable

At the start of the year, PIL makes advance payment for current year income taxes to the Hongkong tax authorities based on the prior year's income tax dues. During the year, PIL's net income before tax decreased by ₱476.0 million due to the disruption of operations in China. This resulted to lower income tax dues as compared to the income tax paid during the year. As at December 31, 2022 and 2021, the Group has income tax receivable from Hongkong tax authorities amounted to ₱90.7 million and nil, respectively. This is expected to be refunded to the Group 12 months after the reporting period.

Movements in the allowance for ECL on trade and other receivables are as follows:

	2022	2021
Beginning balance	₱265,712	₱265,712
Provision	23,574	-
Ending balance	₱289,286	₱265,712

6. Inventories

	2022	2021
Beneficiated nickel ore (at cost)	₱208,381	₱186,372
Materials and supplies (NRV)	83,912	83,098
	₱292,293	₱269,470



Beneficiated Nickel Ore

The amount of inventoriable cost charged to “Contract hire” under cost of sales in the consolidated statements of comprehensive income amounted to ₱1,455.8 million, ₱1,538.8 million, and ₱1,675.6 million in 2022, 2021 and 2020, respectively (see Note 22). No provision for inventory losses was recognized in 2022, 2021 and 2020. No allowance for inventory losses was recognized as at December 31, 2022 and 2021.

Materials and Supplies

Materials and supplies consist of tires, spare parts, and fuel and lubricants which were valued at NRV. Provision for inventory losses amounted to ₱4.1 million, ₱1.6 million and nil in 2022, 2021 and 2020, respectively. Allowance for inventory losses amounted to ₱11.6 million and ₱7.5 million as at December 31, 2022 and 2021, respectively (see Note 23).

7. Prepayments and Other Current Assets

	2022	2021
Prepaid taxes and licenses	₱16,918	₱5,803
Prepaid insurance	14,143	18,610
CWTs	9,008	3,684
Advances to suppliers	7,431	5,261
Prepaid rent	4,865	13,131
Others	7,060	3,656
	59,425	50,145
Less allowance for impairment losses	3,684	3,684
	₱55,741	₱46,461

Prepayments and other current assets are expected to be realized within 12 months after the end of reporting period.

Prepaid Taxes and Licenses

Prepaid taxes and licenses represent advance payments made to the MGB and BIR for the processing of shipments.

Prepaid Insurance

Prepaid insurance represents advance payments made for the insurance of the Group's property and equipment.

CWTs

CWTs pertain to the amount withheld by the Group which can be applied against income tax payable.

Advances to suppliers

Advances to suppliers pertains to prepayments for services which is expected to be used against future billings. This is expected to be utilized within 12 months after the reporting period.

Prepaid Rent

Prepaid rent represents the advance payment made for the rental of the properties classified as short-term lease.

Others

Others pertain to prepayments utilities, barging and shipping expenses and others.

No provision for impairment losses on the prepayments and other current assets was recognized in 2022, 2021 and 2020. Allowance for impairment losses on prepayments and other current assets amounted to ₱3.7 million as at December 31, 2022 and 2021.



8. Property and Equipment

	Land	Building and Land/Leasehold Improvements	Machineries and Other Equipment	Office Furniture and Equipment	Mining Properties	Roads and Bridges	Right of Use Asset (Note 18)	CIP	Total
Cost:									
Beginning balances, <i>as restated</i>	182,614	1,512,743	1,638,899	38,455	1,865,085	832,790	952,876	280,542	7,304,004
Additions through business combination (Note 38)	33,645	63,643	121,099	43,987	982,593	157,152	-	5,018	1,407,137
Additions	232,579	56,303	293,386	16,605	-	-	-	12,449	611,322
Adjustment to capitalized cost of mine rehabilitation (Note 16)	-	-	-	-	(119,453)	-	-	-	(119,453)
Effect of modification of lease (Note 18)	-	-	-	-	-	-	71,755	-	71,755
Disposals	-	(19,658)	(1,000)	(18)	-	-	-	-	(20,676)
Reclassifications	-	175,942	660	20,333	-	-	-	(196,935)	-
Retirement	-	-	-	-	-	-	(15,111)	-	(15,111)
Currency translation adjustment	-	-	3,405	619	-	-	7,589	-	11,613
Ending balances	448,838	1,788,973	2,056,449	119,981	2,728,225	989,942	1,017,109	101,074	9,250,591
Accumulated depreciation and depletion:									
Beginning balances	-	67,814	1,033,323	23,063	1,286,257	394,508	115,297	-	2,920,262
Depreciation and depletion	-	59,508	193,807	8,741	46,959	51,739	92,289	-	453,043
Disposals	-	(19,658)	(1,000)	(18)	-	-	-	-	(20,676)
Retirement	-	-	-	-	-	-	(15,111)	-	(15,111)
Currency translation adjustment	-	-	3,211	431	-	-	5,232	-	8,874
Ending balances	-	107,664	1,229,341	32,217	1,333,216	446,247	197,707	-	3,346,392
Net book values	₱448,838	₱1,681,309	₱827,108	₱87,764	₱1,395,009	₱543,695	₱819,402	₱101,074	₱5,904,199



	Land	Building and Leasehold Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	Right of Use Asset (Note 18)	CIP	Total
Cost:										
Beginning balances	₱182,614	₱102,745	₱1,346,744	₱19,266	₱7,903	₱1,780,645	₱832,790	₱160,984	₱121,541	₱4,555,232
Additions	-	494	298,026	7,161	3,875	-	-	518,435	183,326	1,011,317
Additions through business combination (see Note 38)	-	1,017,507	-	-	-	-	-	-	-	1,017,507
Disposals	-	-	(7,925)	-	-	-	-	-	-	(7,925)
Currency translation adjustment	-	-	2,054	194	56	-	-	3,804	-	6,108
Reclassifications	-	24,325	-	-	-	115,797	-	-	(24,325)	115,797
Adjustment to capitalized cost of mine Rehabilitation (see Note 16)	-	-	-	-	-	(31,357)	-	-	-	(31,357)
Ending balances	182,614	1,145,071	1,638,899	26,621	11,834	1,865,085	832,790	683,223	280,542	6,666,679
Effect of finalization of provisional amounts of MHC (Note 38)	-	367,672	-	-	-	-	-	269,653	-	637,325
Ending balance, <i>as restated</i>	182,614	1,512,743	1,638,899	26,621	11,834	1,865,085	₱832,790	952,876	280,542	7,304,004
Accumulated depreciation and depletion:										
Beginning balances	-	57,562	896,115	14,167	6,212	1,215,366	342,769	45,724	-	2,577,915
Depreciation and depletion	-	10,252	143,342	1,665	773	70,891	51,739	67,109	-	345,771
Disposals	-	-	(7,925)	-	-	-	-	-	-	(7,925)
Currency translation adjustment	-	-	1,791	193	53	-	-	2,464	-	4,501
Ending balances	-	67,814	1,033,323	16,025	7,038	1,286,257	394,508	115,297	-	2,920,262
Net book values, <i>as restated</i>	₱182,614	₱1,444,929	₱605,576	₱10,596	₱4,796	₱578,828	₱438,282	₱837,579	₱280,542	₱4,383,742



In 2022 and 2021, the Group disposed of various assets under “Buildings and Leasehold Improvements”, “Machineries and other equipment” and “Furniture and Fixtures” with total cost amounting to ₱20.7 million and ₱0.2 million, respectively, and recorded a gain and loss on disposal amounting to ₱0.4 million and ₱0.1 million, respectively.

In March 2021, the Group and Sunly Properties, Inc. (Contractor) entered into an agreement to have a fit-out construction of the lower and upper penthouse office building of the Group located at Aseana Avenue corner Fuentes St., Aseana, Parañaque City for a consideration amounting to ₱154.3 million exclusive of VAT and subject to changes in the design and additional work requested by the Group to the Contractor.

In December 2021, the Group and Architraders Enterprises Corporation entered into an agreement to supply, fabricate, deliver, assemble and install system of furniture in the penthouse office building of the Group located at Aseana Avenue corner Fuentes St., Aseana, Parañaque City for a consideration amounting to ₱16.1 million exclusive of VAT and withholding taxes.

In 2021, the Group reclassified from “CIP” to “Buildings and land improvements”, the costs of the completed building and improvements located at the mine site amounting to ₱24.3 million. In 2022, the Group reclassified from “CIP” to “Buildings and land/leasehold improvements”, “Machineries and Other Equipment” and “Office furniture and equipment” amounting to ₱175.9 million, ₱0.7 million and ₱20.3 million, respectively.

As at December 31, 2022 and 2021, CIP of the Group amounting to ₱101.1 million and ₱280.5 million, respectively, pertains to the construction of staff house, guest house, water resource system, security quarters and land development in the mine and other sites. These are 25.3% and 72.5% completed as at December 31, 2022 and 2021, respectively.

In 2019, the Group availed two (2) chattel mortgage loans from CFSPI for the acquisition of transportation and heavy equipment. The loans are payable within two (2) years at interest rates ranging from 5.97% to 6.31% per annum and payable in monthly installments. The carrying amount of the assets mortgaged included under “Machineries and other Equipment” amounted to nil and ₱23.1 million as at December 31, 2022 and 2021, respectively (see Note 15). In 2021, the Group settled these loans.

On July 5, 2019, the Group availed long-term loan from SBM Leasing for the acquisition of transportation equipment. The loans are payable within two (2) years and bear an annual interest rate of 9.50% per annum. The carrying amount of the transportation equipment included under “Machineries and Other equipment” amounted to nil and ₱22.8 million as at December 31, 2022 and 2021, respectively (see Note 15). On July 15, 2021, the Group settled this loan.

In August 2020, the Group entered into a finance lease agreement with SBM Leasing with a lease term of two (2) years, in which the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the equipment upon final payment at the end of the lease term. The carrying amount of the asset leased amounted to ₱57.2 million and ₱64.7 million, respectively (see Note 18). In August 2022, the Group settled its lease liability.

On April 1, 2021, the Group and JSY6677 Landholdings, Inc. entered into a 10-year agreement to lease its office building located at Aseana Avenue corner Fuentes St., Aseana, Parañaque City. The monthly rental amounted to ₱5.3 million. The Group paid security deposits and advance rental amounting to ₱30.5 million and ₱15.2 million, respectively. As a result of the lease agreement, on April 1, 2021, the Group recognized right-of-use asset and lease liability amounting to ₱504.0 million and ₱492.3 million, respectively.

On March 1, 2022, the Group amended its lease agreement with JSY6677 Landholdings, Inc. adding more spaces as part of its leased premises. The group recognized additional right of use asset and lease liability amounting to ₱71.8 million as the result of the modification of lease (see Note 18).



The carrying amount of right-of-use asset related to the lease agreement with JSY6677 Landholdings, Inc. as at December 31, 2022 and 2021 amounted to ₱529.6 million and ₱466.2 million, respectively (see Note 18).

In 2022, the Group retired fully amortized right of use asset amounting to ₱15.1 million.

In May 2021, the Group started the commercial operations of CAGA 1 and reclassified all exploration and evaluation costs incurred and capitalized under mine exploration costs to “Mining properties” which amounted to ₱115.8 million (see Note 11). There are no additional commercial operations in 2022.

The rates used by the Group in computing depletion were:

PGMC

- For CAGA 1, ₱9.31 per WMT and ₱9.52 per WMT in 2022 and 2021, respectively.
- For CAGA 2 and 4, ₱9.31 per WMT in 2022, ₱9.98 per WMT in 2021, and ₱13.51 per WMT for the period January 1, 2020 to October 31, 2020 and ₱9.98 per WMT for the period November 1, 2020 to December 31, 2020.
- For CAGA 3, ₱16.08 per WMT in 2022, ₱14.57 per WMT in 2021, and ₱15.89 per WMT for the period April 2020 to October 31, 2020 and ₱14.57 per WMT for the period November 1, 2020 to December 31, 2020.

INC

- ₱27.1 per WMT and nil in 2022 and 2021, respectively.

The change in the depletion rates were brought about by the change in ore reserves (see Note 3) resulting to net lower depletion expenses in 2022, 2021 and 2020 for PGMC. For INC, it only started its commercial operations in April 2022 and the depletion rate used is based on the latest PMRC-CP Technical Report dated December 31, 2021.

No property and equipment were pledged as at December 31, 2022. Other than those machineries and equipment subject to chattel mortgage, there are no other property and equipment pledged by the Group as at December 31, 2021.

9. Investments in Associates

As at December 31, 2022 and 2021, investments in associates amounted to ₱4,308.5 million and nil, respectively.

GHGC Holdings Ltd. (GHGC)

On September 30, 2022, the Group entered into a Share Purchase Agreement with the Seller wherein the latter agreed to sell her 2,222 shares, representing 22.22% ownership in GHGC, in exchange for a consideration amounting to US\$75.0 million or ₱4,270.6 million. Out of the US\$75.0 million or ₱4,270.6 million purchase price, US\$23.2 million or ₱1,323.2 million was paid through offsetting of the Group’s receivables from the Seller. The Group’s remaining noninterest bearing liability to the Seller amounting to US\$51.8 million will be settled through annual installment payment amounting to US\$10.0 million until fully paid. The Group recognized “Day 1” gain included in the “Other income (charges)” in the statement of comprehensive income amounting to ₱504.3 million resulting from the difference between the face value and discounted value of the noninterest bearing liability. As at December 31, 2022, the Group has 22.22% ownership interest in GHGC.

The transaction resulted in the Group owning 22.22% of GHGC. GHGC is a British Virgin Islands (BVI) business company incorporated in the British Virgin Islands which owns 90% of Guangdong Century Tsingshan Nickel Industry Company Limited (GCTN) and does not have investment other than its shareholding in GCTN. GCTN is a Chinese company incorporated on May 19, 2011 and registered as a



foreign-funded joint venture established in the Ligang Industrial Park of the High-tech Industrial Development Zone of Yangjiang City, Guangdong Province, People's Republic in China. Its main business is the processing of laterite nickel ore and the sale of nickel pig iron. The Group's 22.22% ownership interest in GHGC gives the Group 20% indirect ownership in GCTN.

The Group recognized share in net income from GHGC amounting to ₱38.0 million for the three-month period ended December 31, 2022.

Details of the summarized consolidated financial assets of GHGC and subsidiaries as at December 31, 2022, which are accounted for under equity method, are as follows (amounts in thousands):

	2022
Current assets	₱9,398,957
Noncurrent assets	4,322,546
Total assets	13,721,503
Current liabilities	2,570,872
Noncurrent liabilities	556,306
Total liabilities	3,127,178
Net assets	10,594,325
Revenue	4,042,694
Cost and expenses	(3,795,024)
Net income	184,110
Other comprehensive income	-
Total comprehensive income	₱184,110

Details of the carrying amount of the investment in GHGC is as follows:

	2022
Group's share in net assets - 22.22%	₱2,354,059
Fair value adjustment, net of deferred tax liability amounting to ₱181.3 million	1,027,163
Currency translation adjustment	66,367
Goodwill	860,951
Carrying amount of the investment	₱4,308,540

SPNVI

On September 1, 2016, the Group entered into a Deed of Assignment with SPNVI, a related party, wherein the Group assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share. As a result of the above Deed of Assignment, the Group acquired 37.50% of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than 20% of the voting power of SPNVI.

On December 21, 2022, the Group, the shareholders of SPNVI and SPNVI agreed to Terminate the Contract to Sell executed on August 6, 2015 (see Note 1). The shareholders of SPNVI agreed to return the payments received from the Group. As at December 31, 2022, the Group collected the payments from the shareholders of SPNVI amounting to ₱586.2 million and the balance will be paid by SPNVI in 10 annual equal payments (see Note 30).

Prior to the business acquisition of SPNVI, the Group recognized share in net income from SPNVI amounting to ₱181.5 million in 2022. The Group recognized share in net loss from SPNVI amounting to ₱0.05 million and ₱0.04 million in 2021 and 2020, respectively.



As at December 21, 2022 and December 31, 2021 and 2020, the Group's accumulated share in net income (loss) of SPNVI charged to its net investment in SPNVI, prior to the business combination under common control, are as follows:

	2022*	2021	2020
Share in net income (loss)			
charged to:			
Deposits for future acquisition	₱46,350	(₱46,050)	(₱43,076)
Investment in associates	135,160	(300)	(300)
Total share in net income (loss)			
recognized in net investment			
in SPNVI	₱181,510	(₱46,350)	(₱43,376)

*Prior to the business combination under common control on December 22, 2022

Details of the summarized consolidated financial assets of SPNVI and subsidiaries as at December 21, 2022 and December 31, 2021, which are accounted for under equity method, are as follows (amounts in thousands):

	2022*	2021
Current assets	₱1,923,291	₱310,328
Noncurrent assets	1,648,973	1,051,076
Total assets	3,572,264	1,361,404
Current liabilities	3,714,659	1,025,603
Noncurrent liabilities	96,703	1,622,354
Total liabilities	3,811,362	2,647,957
Net liabilities	(239,098)	(1,286,553)
Revenue	1,447,514	-
Cost and expenses	963,486	(7,933)
Net income (loss)	484,028	(7,933)
Other comprehensive income	-	-
Total comprehensive income (loss)	₱484,028	(₱7,933)

*Prior to the business Combination under common control on December 22, 2022

Starting December 22, 2022, the Group consolidated the financial assets and liabilities of SPNVI (see Note 38).

MHC

On December 19, 2019, the Group subscribed to 1,670,000 shares in MHC valued at ₱100 per share for a total consideration of ₱450.0 million. The transaction resulted in the Group owning 40.05% of MHC.

The Group recognized share in net loss amounting to ₱49.1 million in 2021 and share in net income amounted to ₱36.2 million in 2020.

On December 29, 2021, the Group acquired an additional 23.98% interest in MHC from an existing stockholder for ₱192.0 million, resulting in 64.03% ownership in MHC. Consequently, MHC became a subsidiary of the Group (see Note 38).

The Group recognized total share in net income of investments in associates amounted to ₱219.5 million in 2022, total share in net loss of investments in associates amounted to ₱52.1 million in 2021, and total share in net income of investments in associates amounted to ₱35.7 million in 2020.



10. Mining Rights

	2022	2021
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	270,921	259,675
Amortization	8,275	11,246
Ending balance	279,196	270,921
Net book value	₱117,304	₱125,579

Mining rights refer to the right of the Group as the holder of MPSA No. 007-92-X located in Cagdianao, Claver, Surigao del Norte, acquired through the assignment of the said MPSA from CMDC to SIRC, a wholly-owned subsidiary, under a Deed of Assignment executed on March 3, 2004. Pursuant to the Deed of Assignment, CMDC transferred to SIRC all its rights, interest and obligations relating to the MPSA.

The rates used by the Group in computing amortization were ₱2.19 per WMT and ₱2.31 per WMT for the years ended December 31, 2022 and 2021, respectively.

No provision for impairment losses on mining rights was recognized in 2022, 2021 and 2020. Allowance for impairment losses on mining rights amounted to nil as at December 31, 2022 and 2021.

11. Mine Exploration Costs

	2022	2021
Beginning balance	₱147,299	₱241,361
Exploration expenditures incurred	31,731	21,735
Reclassification to mining properties (Note 8)	-	(115,797)
Ending balance	₱179,030	₱147,299

The Group operates the Cagdianao mining tenement covered under MPSA No. 007-92-X for a period of 25 years which will expire on June 21, 2041 and the Iplan Nickel Project covered under MPSA No. 017-93-IV, Amended 2000 for a period of 25 years which will expire on April 10, 2025 (see Note 34).

The reduction in mine exploration costs pertains to the portion related to CAGA 1 which transitioned to commercial operations in May 2021. The Group reclassified mine exploration cost to “mining properties” under Property and equipment amounting to ₱115.8 million.

The remaining mine exploration costs as at December 31, 2022 pertains to PGMC’s CAGA 5, 6, 7 and limestone areas which are all still under exploration and evaluation phase. In 2022, INC started the commercial operations of all its areas and recognized “Mining properties” amounting to ₱982.6 million, including all exploration and evaluation costs previously incurred and capitalized under mine exploration costs, upon business combination.

12. Other Noncurrent Assets

	2022	2021
Input VAT	₱556,839	₱213,894
MRF	378,152	317,765
Advances to suppliers	360,392	123,638
Restricted cash	84,311	77,176
Miscellaneous deposit	68,849	-
Intangible asset	30,805	32,838
Security deposits	23,986	19,474
Financial asset at FVOCI	3,036	3,290
<i>(Forward)</i>		



	2022	2021
Computer software	682	4,454
Others	24,752	31,052
	1,531,804	823,581
Less allowance for impairment losses	215,104	206,071
	₱1,316,700	₱617,510

Input VAT

Input VAT represents the VAT paid on purchases of applicable goods and services and capital assets, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the BIR and/or the Philippine Bureau of Customs. Provision for impairment losses on input VAT amounted to ₱3.3 million, ₱3.9 million and ₱160.9 million in 2022, 2021 and 2020, respectively. Allowance for impairment losses on input VAT amounted to ₱194.3 million and ₱185.3 million and as at December 31, 2022 and 2021, respectively.

MRF

Pursuant to Section 181 of the Implementing Rules and Regulations of the RA No. 7492, better known as the *Philippine Mining Act of 1995*, mining companies have to maintain MRF deposits with any government bank. The Group has deposits for MRF at the Development Bank of the Philippines. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, pollution control and integrated community development. The funds earned interest based on the prevailing market rate. Interest income earned on MRF amounted to ₱1.3 million, ₱1.2 million and ₱1.9 million in 2022, 2021 and 2020, respectively.

Advances to Suppliers

Advances to suppliers pertain to deposits on the Group's purchase of goods and services from various suppliers.

Restricted Cash

Restricted cash pertains to the Debit Service Reserve Account (DSRA) with Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) which acts as collateral or security for the TCB loan. The amount maybe reduced proportionately as the Group pays the principal and its interest by express agreement of the parties.

The Group has US\$-denominated restricted cash currently classified under "Other noncurrent assets" amounting to US\$0.1 million and HK\$-denominated restricted cash amounting to HK\$11.8 million as at December 31, 2022 and 2021 (see Note 32).

Interest income earned related to the restricted cash classified under "Other noncurrent assets" amounted to ₱0.1 million in 2022, 2021 and 2020.

Miscellaneous deposits

Miscellaneous deposits refer to advance payments to various land owners for the procurement of land to be used for the road development of the Ipilan Nickel Project.

Intangible Asset

Intangible asset pertains to membership debenture obtained by the Group pursuant to the contract of sale executed with Avic Joy Holdings, Limited and the Group on July 16, 2019 to purchase Clearwater Bay and Golf Country Club membership and to be amortized for 10 years. The amortization of the intangible asset amounted to ₱4.8 million, ₱4.4 million and ₱4.5 million in 2022, 2021 and 2020, respectively.

Security deposits

Security deposits pertain to the Company's rental deposits related to the lease of its office building which shall be refunded, after all valid claims, at the end of the lease term (see Note 11).



The table below shows the movement analysis of security deposits as at December 31, 2022 and 2021:

	2022	2021
Undiscounted security deposits:		
Balance at beginning of year	₱30,464	₱-
Additions	3,547	30,464
Balance at end of year	34,011	30,464
Discount on security deposits:		
Balance at beginning of year	10,990	-
Additions	-	11,684
Accretion of interest	(965)	(694)
Balance at end of year	10,025	10,990
Ending balance	₱23,986	₱19,474

Financial Asset at FVOCI

As at December 31, 2022 and 2021, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. There was no disposal of shares in 2022 and 2021 and the shares are valued based on the exit market price amounting to ₱0.72 and ₱0.78 per share as at December 31, 2022 and 2021, respectively.

Movements in equity instrument are as follows:

	2022	2021
Beginning balance	₱3,289	₱3,373
Revaluation adjustment	(253)	(84)
Ending balance	₱3,036	₱3,289

Movements in the "Fair value reserve of financial asset at FVOCI" in equity instrument are as follows:

	2022	2021
Beginning balance	₱5,565	₱5,481
Fair value reserve	253	84
Ending balance	₱5,818	₱5,565

No dividend income was earned by the Group in 2022, 2021 and 2020 from the financial asset at FVOCI.

Computer Software

Computer software arises from the business acquisition of MHC (see Note 38).

Others

Others represent claims for business tax refund and performance bond. Provision for impairment losses on claim for business tax refund amounted to nil in 2022 and 2021. Allowance for impairment losses on claim for business tax refund amounted to ₱20.8 million as at December 31, 2022 and 2021. For the performance bond, it pertains to the minimum amount required to be annually posted by the Group in a duly licensed bonding entity to guarantee compliance and implementation of the temporary revegetation and/or the progressive rehabilitation of the disturbed areas beyond the maximum disturbed limit in accordance with the Administrative Order No. 2018-19 issued by the DENR.



Movements in the allowance for impairment losses on other noncurrent assets are as follows:

	2022	2021
Beginning balance	P206,071	P202,180
Additions arising from business combination of SPNVI under common control	5,773	-
Provision for impairment losses (see Note 23)	3,260	3,891
Ending balance	P215,104	P206,071

13. Trade and Other Payables

	2022	2021
Trade	P337,698	P151,398
Accrued expenses and taxes	335,360	83,509
Contract liabilities	247,992	438,748
Dividends payable	20,238	21,562
Nontrade	10,624	36,088
Total, <i>as restated</i>	P951,912	P731,305

Trade

Trade payables are noninterest-bearing and generally settled within 30 days. These include payables to suppliers, contractors and other service providers for the goods delivered and/or services rendered to the Group in the ordinary course of business.

Accrued Expenses and Taxes

Details of the accrued expenses and taxes are as follows:

	2022	2021
Excise taxes and royalties payable (see Note 24)	P140,761	P28,736
Accrued Liabilities	89,386	5,909
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	62,946	24,294
Accrued payroll	15,423	2,488
Business and other taxes	14,217	16,485
Professional fees	1,442	3,905
Others	11,185	1,692
	P335,360	P83,509

Excise Taxes and Royalties Payable

Excise taxes and royalties are immediately payable upon receipt from the DENR-MGB of the Order of Payment and before every shipment of beneficiated nickel ores. Royalty fees to government, claim owners and indigenous are noninterest-bearing and payable within 30 calendar days after payment of the final invoice for the relevant shipment by the customers.

Provision for SDMP and ICC

Mining companies are mandated to establish a provision for SDMP and ICC that would enhance the quality of life and ultimately develop a progressive and self-reliant host and neighboring communities. The program includes community development projects and activities such as establishment, construction, and maintenance of infrastructures including schools, hospitals, roads, and the like; establishment of livelihood industries; and programs on education and health. The Group is required to allot annually a minimum of 1.5% of the operating costs based on the Administrative Order No. 2010-13 issued by the DENR.



Breakdown of provision for SDMP and ICC are as follows:

	2022	2021
Beginning balance	₱24,294	₱30,546
Additions	60,206	84,891
Payments	(21,554)	(91,143)
Ending balance	₱62,946	₱24,294

Accrued Payroll

Accrued payroll pertains to the accrual related to the salaries and wages of the Group's employees which are noninterest-bearing, payable on demand and/or generally settled within 30 days.

Business and Other Taxes

Business and other taxes pertain to government dues relating to withholding taxes.

Professional fees

Professional fees pertain to legal and other consultation services incurred by the Group.

Others

Others include outside services such as purchases of supplies which are usual in the business operations of the Group.

Contract liabilities

Contract liabilities pertain to deposits from customers which will be settled through future shipments of nickel ore. These are generally settled within 30 to 120 days

Dividends Payable

On May 22, 2013, the BOD of the Group approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500.0 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and paid to certain stockholders on May 22, 2013 amounting to ₱20.2 million, were returned as stale checks. As at December 31, 2022 and 2021, the Group has dividends payable amounting to ₱20.2 million and ₱21.6 million, respectively.

Nontrade

Nontrade payables pertain to payable to third party companies which are non-interest bearing, payable on demand/or generally settled within 30 days.

The Group has US\$-denominated trade and other payables amounting to US\$1.9 million and US\$2.6 million as at December 31, 2022 and 2021, respectively, and HK\$-denominated trade and other payables amounting to HK\$0.9 million and HK\$0.7 million as at December 31, 2022 and 2021, respectively (see Note 32).

14. Noninterest bearing Liability

On September 30, 2022, as a result of the acquisition of GCTN, the Group recognized a noninterest bearing liability to the Seller amounting to US\$51.8 million which will be settled through annual installment payment amounting to US\$10.0 million starting 2023 until fully paid (see Note 9).



Details of the noninterest bearing liability to the Seller is as follows:

	2022
Balance at the date of acquisition, undiscounted	₱2,947,352
Discount on noninterest bearing liability:	
Day 1 gain	504,273
Accretion of interest	(35,099)
Ending balance	469,174
Net carrying value	2,478,178
Effect of changes in foreign currency exchange rates (Note 29)	(42,496)
Ending balance	2,435,682
Less: Current portion	561,200
Noninterest bearing liability – net of current portion	₱1,874,482

Foreign exchange rates used on September 30, 2022 and December 31, 2022 are ₱56.94 and ₱56.12 per dollar, respectively.

15. Loans Payable

	2022	2021
Long term loans	₱841,800	₱899,256
Chattel mortgage loans	-	-
	841,800	899,256
Less current portion:		
Long term loans	315,675	247,109
Chattel mortgage loans	-	-
Loans payable - current portion	315,675	247,109
Noncurrent portion	₱526,125	₱652,147

Movements in the carrying value of loans payable are as follows:

	2022	2021
Beginning balance	₱899,256	₱460,487
Availments	-	892,776
Payments	(137,646)	(460,487)
Effect of changes in foreign currency exchange rates (Note 29)	80,190	6,480
Ending balance	₱841,800	₱899,256

Long term loans

TCB

On July 29, 2021, the Group settled its loan payable to TCB amounting to US\$9.4 million or ₱450.3 million.

On July 29, 2021, the Group was granted by TCB through PGMC an Omnibus Line for Loan Facility in the aggregate principal amount not exceeding US\$15.0 million for general corporate purposes. The Omnibus Line is composed of Revolving loan amounting to US\$5.0 million and Term Loan amounting to US\$10.0 million with the following terms:

- Revolving loan shall be repaid at the maturity date of each loan but the tenor shall not exceed 180 days



- Term loan shall be repaid in four semi-annual installment repayments. First installment commences on the date falling 18 months from the first drawdown date as follows:

Months from the first drawdown date	Repayment installment from outstanding principal at the end of availability period (%)
18	12.50%
24	12.50%
30	12.50%
36	62.50%

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of 3.25% per annum. The reference rate is the applicable London Interbank Offered Rates (LIBOR) displayed on the Bloomberg and Reuters' page for three month yield as stated in the loan agreement.

The other conditions of the agreement are as follows:

- The Group shall maintain a waterfall account with TCB wherein all amounts collected from the buyers of nickel ore shall be deposited.
- The security required by TCB shall consist of only three kinds, as follows:
 - Accounts receivables from PGMC's customers or clients or Import letters of credit (LC) issued in favor of PGMC by its customers and clients. Provided, that the aggregate value, in combination, shall be at least twice (2x) the amount of the actual drawdown
 - Demand Deposit Account which shall be opened and set-up by the collateral provider acceptable to TCB (in this case PIL) amounting to at least 10% of the drawdown. The amount in said account maybe reduced proportionately as PGMC pays the principal and its interest by express agreement of TCB and PGMC.
 - Guarantee issued by any individual, juridical person such as corporations or any combination thereof that is acceptable to TCB.
- TCB is irrevocably appointed as the collecting agent for the account receivables from PGMC's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of PGMC. All the amount collected by TCB shall be deposited in the Waterfall Account of PGMC.
- The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
- If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid amount/s at the rate of 18% per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank.

On July 30, 2021, the Group made a drawdown amounting to US\$15.0 million of the loan. The Group did not avail additional loans as at December 31, 2022.

The Group has complied with the terms of the loan as at December 31, 2022 and 2021.

The carrying amount of the loan amounted to US\$15.0 million or ₱841.8 million and US\$15.0 million or ₱761.6 million as at December 31, 2022 and 2021, respectively. Interest expense related to TCB loan amounted to ₱48.1 million, ₱23.8 million and ₱30.5 million in 2022, 2021 and 2020, respectively (see Note 28).

Bank of Commerce (BOC)

On May 10, 2017, the Group through MHC entered into a loan agreement with BOC to acquire additional financing to support the construction of Phase 1 of the dry bulk terminal facilities in Mariveles, Bataan. Repayments of the loan will be in equal semi-annual installments for five years and bear an annual interest rate ranging from 7.12% to 7.21% per annum. MHC has fully settled its loan with BOC on May 29, 2022.



The loan is secured by MHC's shares of stock as collateral and a continuing suretyship from Seasia Logistics Philippines, Inc. Part of the agreement states that MHC shall not participate in or enter into any merger or consolidation, sell, lease mortgage or otherwise dispose of all or substantially all of its assets and voluntarily suspend its business operations or dissolve its affairs, and declare or pay dividends to its shareholders (other than dividends payable solely in shares of capital stock) if payment of any sum due to BOC is in arrears. In 2022, MHC settled in full its loans from BOC.

Interest expense related to the BOC loan amounted to ₱0.9 million for the year ended December 31, 2022.

SBM Leasing

On July 5, 2019, the Group through PGMC availed long-term loan from SBM Leasing for the acquisition of transportation equipment. The loans are payable within two (2) years and bear an annual interest rate of 9.50% per annum. On July 15, 2021, the SBM Leasing term loan was fully paid. Interest expense related to the loans amounted to nil, ₱0.2 million, and ₱1.2 million in 2022, 2021 and 2020, respectively (see Note 28).

Short term loans

Union Bank of the Philippines (UBP)

On May 20, 2021 and June 10, 2021, the Group through MHC entered into short-term loans for ₱50.0 million and ₱40.0 million, respectively. These are payable in one year, bear an interest rate of 6.50% per annum and are intended for working capital purposes. The short-term loans were renewed for another one year with an interest rate of 6.5% and 6.75% per annum. The short-term loans with UBP were fully settled on July 29, 2022. Interest expense related to the UBP loan amounted to ₱3.7 million in 2022.

Chattel mortgage loans

In 2019, the Group availed two chattel mortgage loans from CFSPI for the acquisition of transportation and heavy equipment. The loans are payable within two years at interest rates ranging from 5.97% to 6.31% per annum and payable in monthly installments. On July 20, 2021, the CFSPI chattel mortgage loan was fully paid. Interest expense incurred in relation to the chattel mortgage amounted to nil, ₱0.7 million and ₱1.1 million in 2022, 2021 and 2020, respectively (see Note 28).

16. Provision for Mine Rehabilitation and Decommissioning

	2022	2021
Beginning balance	₱305,414	₱328,601
Effect of change in estimate (see Note 8)	(119,453)	(31,357)
Additions	63,844	-
Accretion interest (see Note 28)	11,234	8,170
Ending balance	₱261,039	₱305,414

The provision for mine rehabilitation and decommissioning was adjusted in 2022 to reflect the latest discount rates and inflation rates used in the calculation of the estimate.

17. Retirement Obligation

The Group's Multiemployer Retirement Plan (the Retirement Plan) is jointly established by the PGMC, INC and other affiliate companies that may adopt the said plan. The Retirement Plan is a non-contributory defined benefit retirement plan covering all of the Group's regular employees effective January 1, 2018.

The funding of the Retirement Plan shall be determined by the actuarial advisor and payment of the benefits thereunder shall be provided through the medium of a fund held by the Trustee Bank under the Trust Agreement.



The latest actuarial valuation report of the retirement plan is as at December 31, 2022.

The following tables summarize the components of retirement benefits costs recognized in the consolidated statements of comprehensive income and the unfunded status and amounts recognized in the consolidated statements of financial position and other information about the plan.

Details of the retirement benefits costs in the consolidated statements of comprehensive income are as follows:

	2022	2021	2020
Current service cost (see Note 26)	₱8,026	₱13,500	₱10,565
Interest cost on retirement obligation (see Note 28)	3,805	4,085	4,270
Interest income on plan assets	(5,824)	(3,552)	(3,728)
	₱6,007	₱14,033	₱11,107

Current and past service costs are recognized under “Retirement benefits costs”.

In 2022 and 2021, there was no Retirement Plan amendment, curtailment nor settlement.

The Group has 231 and 186 regular employees covered under the Retirement Plan as at December 31, 2022 and 2021, respectively.

Changes in the present value of retirement obligation are as follows:

	2022	2021
Beginning balance	₱71,758	₱105,834
Current service cost (see Note 26)	8,026	13,500
Interest cost on retirement obligation (see Note 28)	3,588	4,085
Remeasurement loss (gain) arising from:		
Financial assumptions	(14,490)	(71,185)
Demographic assumptions	12,555	22,464
Experience adjustments	-	(4,758)
Net retirement obligation acquired from MHC (Note 38)	-	2,180
Benefits paid	(279)	(362)
Ending balance	₱81,158	₱71,758

Changes in the fair value of plan assets are as follows:

	2022	2021
Beginning balance	₱104,478	₱80,753
Contributions	22,909	22,909
Actual return on plan assets:		
Interest income on plan assets	5,824	3,552
Remeasurement loss - return on plan assets excluding interest income	(8,169)	(2,374)
Benefits paid	(279)	(362)
Ending balance	₱124,763	₱104,478



Net retirement obligation (retirement plan asset) recognized in the consolidated statements of financial position are as follows:

	2022	2021
Present value of retirement obligation	₱81,158	₱71,758
Fair value of plan assets	(124,763)	(104,478)
Net retirement obligation acquired from SPNVI	17,584	-
Effect of asset ceiling	9,185	4,310
	(₱16,836)	(₱28,410)

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

	2022	2021
Cash and cash equivalents:		
Investment in government securities	₱80,101	₱66,148
Investment in equity securities	38,498	30,496
Investment in debt securities	7,800	3,600
Savings and time deposit	7	1,302
Others:		
Market gain - investment in equity securities	1,759	3,035
Market gain (loss) - investment in government securities	(3,450)	(452)
Market gain (loss) - investment in debt securities	(383)	23
Interest receivables - net of trust fees	431	326
	₱124,763	₱104,478

The main categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2022	2021
Investment in government securities	61.43%	62.98%
Investment in equity securities	29.45%	32.09%
Investment in debt securities	5.94%	3.47%
Cash and cash equivalents	.01%	1.24%
Others	2.95%	0.22%
	100.00%	100.00%

Investment in government securities includes investment in treasury bills. Investment in equity securities pertains to unit investment trust funds. Investment in debt securities pertains to investment in bonds. Cash and cash equivalents consist of savings and time deposits. Others are in the form of interest receivables, net of accrued trust fees payable.

Details of the investment in equity securities are as follows:

	December 31, 2022			December 31, 2021
	Carrying Amount	Fair Value	Unrealized gain	
Investment in equity securities	₱38,498	₱40,257	₱1,759	₱33,531



The retirement trust fund assets are valued by the fund manager at fair value using market-to-market valuation. The principal assumptions used in determining retirement obligation for the defined retirement plan are shown below:

	2022	2021	2020
Discount rate	7.16%	5.03%	3.86%
Salary increase rate	4.32%	4.32%	10.00%
Turnover rate	10.57% at age 19 decreasing to 1.22% at age 55	10.57% at age 19 decreasing to 1.89% at age 55	8.33% at age 19 decreasing to 3.03% at age 45

Assumptions regarding future mortality rate and disability rate are based on the 2017 Philippine Intercompany Mortality Table and The Disability Study, Period 2 Benefit 5, respectively, developed by the Society of Actuaries, which provides separate rates for males and females.

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits obligation at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	2022	2021
Discount rate	+100 basis points	(P5,561)	(P5,810)
	-100 basis points	6,302	6,695
Salary increase rate	+100 basis points	P6,419	P6,675
	-100 basis points	(5,755)	(5,900)

The Group expects to contribute at least P22.9 million to the defined benefit plan in 2022.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022 and 2021:

	2022	2021
Less than one (1) year	P9,231	P5,956
More than one (1) year to five (5) years	39,998	35,879
More than five (5) years	82,289	41,555
	P131,518	P83,390

The weighted average duration of the defined retirement benefits obligation as at December 31, 2022 and 2021 is 7.6 years and 9.0 years, respectively.

18. Leases

The Group has lease contracts for various properties and equipment used in its operations and office spaces. Leases of office spaces generally have lease terms between three and 13 years while the equipment has a lease term of two years (see Note 8). The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets without the approval of lessor.

The Group also has certain lease of office spaces and machineries and equipment with lease terms of twelve months or less. The Group applies the "short term lease" recognition exemptions for these leases.



The following are the amounts recognized in consolidated statements of comprehensive income:

	2022	2021
Depreciation expense of right-of-use assets included in property and equipment (Note 8)	₱87,234	₱67,109
Interest expense on lease liabilities (Note 28)	51,538	22,103
Expenses relating to short term leases (Notes 21 and 22)	4,915	1,138
	₱143,687	₱90,350

The roll forward analysis of lease liabilities are as follows:

	2022	2021
Beginning balance, <i>as restated</i>	824,013	94,081
Additions	-	492,335
Modification	71,755	-
Interest expense	51,538	22,103
Payments	(111,721)	(101,551)
Ending balance	₱835,585	₱506,968
Effect of finalization of provisional amounts of MHC (Note 38)	-	317,045
Ending balance, <i>as restated</i>	₱835,585	₱824,013

The current and noncurrent portion of the lease liabilities as at December 31, 2022 and 2021, discounted using incremental borrowing rate are as follows:

	2022	2021
Current portion	₱57,823	₱64,725
Noncurrent portion	777,762	759,288
	₱835,585	₱824,013

Shown below is the maturity analysis of the undiscounted lease payments as at December 31, 2022 and 2021:

	2022	2021
One (1) year	₱70,126	₱90,332
More than one (1) year to two (2) years	72,136	64,880
More than two (2) years to three (3) years	74,070	64,809
More than three (3) years to four (4) years	76,278	145,550
More than five (5) years	329,812	1,971,777

In August 2020, the Group entered into a finance lease agreement with SBM Leasing with a lease term of two years, in which the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the equipment upon final payment at the end of the lease term amounting to ₱59.7 million. The lease liabilities as at December 31, 2022 and 2021 amounted to nil and ₱11.4 million, respectively. Interest expense incurred amounted to nil and ₱3.6 million in 2022 and 2021, respectively.

In April 2021, the Group recognized lease liability amounting to ₱502.6 million attributable to the Group's lease agreement with JSY6677 Landholdings, Inc. for its new office space for a period of 10 years starting April 1, 2021 (see Note 8).

On March 1, 2022, the Group amended its lease agreement with JSY6677 Landholdings, Inc. adding more spaces as part of its leased premises. The group recognized additional right of use asset and lease liability amounting to ₱71.8 million as the result of the modification of lease.



As at December 31, 2022 and 2021, the noncurrent portion of the lease liabilities related to the agreement with JSY6677 Landholdings, Inc., after lease modification in 2022, amounted to ₱454.2 million and ₱424.6 million, respectively. Interest expense incurred amounted to ₱26.6 million and ₱17.4 million in 2022 and 2021, respectively.

19. Other Current and Noncurrent Liabilities

Other noncurrent liabilities consist of the following:

	2022	2021
Previous stockholders of CNMEC	₱-	₱356,402
Advances from BNVI	-	165,566
Others	232	-
	₱232	₱521,968

Payable to Previous Stockholders of CNMEC and BNVI

In 2016, the Parent Company, SPNVI and the stockholders of SPNVI executed a Deed of Assignment wherein SPNVI assigned its payable to the previous stockholders of CNMEC and BNVI to the Parent Company amounting to ₱522.0 million. This is pursuant to the Contract to Sell executed on August 6, 2015 (see Note 1). This is noninterest bearing and payable on the first shipment of INC.

On October 26, 2022, the Group and the previous stockholders of CNMEC amended the Share Purchase Agreement executed on June 9, 2014, specifically related to the schedule of payment and equivalent shares. As agreed with the parties, the remaining balance amounting to ₱522.0 million will be paid in US\$8.2 million and in 15 installments, as follows:

- Fixed amount of US\$0.5 million due on the settlement date (generally at the end of each month), for three months starting October 2022.
- The remaining balance shall be payable in 12 equal installments due on settlement date until fully paid.

In 2022, the Group made payments to the previous stockholders of CNMEC amounting to US\$1.5 million.

As at December 31, 2022, the Group has payable to previous stockholders of CNMEC and BNVI, as follows:

	2022	2021
Previous stockholders of CNMEC	₱378,436	₱356,402
Advances from BNVI	193,743	165,566
Total	₱572,179	521,968

	2022	2021
Beginning balance	₱521,968	₱521,968
Additions	28,177	-
Payments	(85,446)	-
Effect of changes in foreign currency exchange rates (Note 29)	107,480	-
Ending balance	₱572,179	₱521,968
Less: Current portion	572,179	-
Noncurrent portion	₱-	₱521,968

Others pertain to liabilities to TMC and stockholders of NLRI related to SPNVI's acquisition of NLRI in 2014.



20. Equity

Capital Stock

The Parent Company's authorized and issued capital stock as at December 31, 2022 and 2021 are as follows:

	2022	2021
Par value	₱1.05	₱1.05
Authorized shares	11,957,161,906	11,957,161,906
Total authorized capital stock	12,555,020,001	12,555,020,001
Issued shares	6,072,357,151	6,072,357,151
Total capital stock (amounts in thousand)	₱6,375,975	₱6,375,975

The Parent Company only has one class of common shares. The common shares do not carry any right to fixed income.

Increase in Authorized Capital Stock

In 2014, the Parent Company applied for an increase in its authorized capital stock from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the Thirteen Stockholders in accordance with the Share Swap transaction was approved by the SEC on December 22, 2014 (see Note 1).

As discussed in Note 1, the BOD and stockholders of the Parent Company approved a capital restructuring through a reverse stock split. In relation to this, the Parent Company applied for an increase in its authorized capital stock which was approved by the SEC on November 7, 2016. Out of the increase in capital stock, an individual stockholder subscribed a total of ₱20,000.4 divided into 19,048 common shares at a par value of ₱1.05.

Follow-on Offering

On July 20, 2018, the Parent Company completed its follow-on offering of 250,000,000 common shares which resulted in an increase in capital stock amounting to ₱262.5 million. On the same date, all the 6,072,357,151 issued shares of the Parent Company, including the common shares issued in accordance with the Share Swap transaction approved by the SEC on December 22, 2014, private placement and follow-on offer shares, are listed in the PSE.

The following table summarizes the track record of registrations of securities under the SRC:

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	₱1.50	5,000,000,000
Additional registration	Various	September 1996	-	1,150,000,000
Exempt from registration	Various	December 1998	-	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
Additional registration	Various	July 2018	2.07	250,000,000
				7,259,810,000

APIC

The completion of the Parent Company's follow-on offering of 250,000,000 common shares resulted in the recognition of APIC amounting to ₱255.0 million. The offer price and par value per share amounted to ₱2.07 and ₱1.05, respectively. The transaction costs directly attributable to the issuance of new common shares from the follow-on offering amounting to ₱16.0 million were deducted from the APIC.



Special Stock Grant

The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 28, 2018 and December 27, 2017, the grant dates, between the Parent Company and the grantees. The fair value of the shares on December 28, 2018 and December 27, 2017 was ₱1.67 and ₱2.62, respectively, taking into consideration the terms and conditions of the stock grant. A total of 20,000,000 treasury shares of the Parent Company consisting of 9,900,000 and 10,100,000 treasury shares was granted to PGMC in 2018 and 2017, respectively. The treasury shares were subsequently issued by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

- The participants of the special stock grant are the officers and employees of its significantly owned subsidiaries as selected and approved by the Compensation Committee,
- The shares granted under the 2017 Plan will be registered in the employee's name and will have a lock-in period of two years from the date of grant,
- As the owner of record, the employee will have the right to vote shares and receive dividends, and
- During the lock-in period, such shares of stocks granted may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of. Pursuant to this, the certificate covering the shares of stock will be held in escrow by the designated escrow agent and will be released at the end of the lock-in period.

No stock grant expense was recognized in 2022, 2021 and 2020.

Retained Earnings

On December 30, 2020, PGMC's BOD and stockholders approved the declaration of cash dividends amounting to ₱47.50 per share to stockholders of record as at December 30, 2020 to be paid not later than March 2021 amounting to ₱1,230.2 million. The dividends were settled by offsetting the cash advances to stockholders under "Advances to related parties" amounting to ₱1,170.6 million. As at December 31, 2020, the cash dividends payable amounted to ₱0.2 million (see Note 30).

On May 17, 2021, the BOD of the Parent Company approved the declaration of cash dividends at ₱0.10 per share, subject to the Parent Company's withholding of applicable taxes, for stockholders of record as of June 15, 2021 and its payment not later than July 9, 2021. The cash dividends amounting to ₱521.0 million was taken out of the unrestricted earnings of the Parent Company as at December 31, 2020. Portion of the cash dividends payable was settled by offsetting the cash advances to stockholders classified under "Advances to related parties" amounting to ₱302.6 million.

On December 31, 2021, PGMC's, a subsidiary, BOD and stockholders approved the declaration of cash dividends amounting to ₱57.00 per share, subject to PGMC's withholding of applicable taxes, for stockholders of record as at December 31, 2021 to be paid not later than March 31, 2022. The cash dividends amounting to ₱1,476.3 million was taken out of the unrestricted earnings of PGMC as at December 31, 2021. Portion of the cash dividends payable was settled by offsetting the cash advances to the Parent Company amounting to ₱1,442.6 million. As at December 31, 2021, the cash dividends payable amounted to ₱33.5 million (see Note 30).

On April 4, 2022, the BOD of the Parent Company approved the declaration of cash dividends at P0.20 per share, subject to the Parent Company's withholding of applicable taxes, for stockholders of record as of April 20, 2022. The cash dividends amounting to ₱1,040.0 million was taken out of the unrestricted earnings of the Parent Company as at December 31, 2021.

On May 23, 2022, MHC's, a subsidiary, BOD and stockholders approved the declaration of cash dividends subject to MHC's withholding of applicable taxes, for stockholders of record as at August 31, 2022. The dividend income earned by the Parent Company in 2022 in relation to the cash dividends amounted to ₱224.1 million.



On December 29, 2022, PGMC's, a subsidiary, BOD and stockholders approved the declaration of cash dividends amounting to ₱12.50 per share, subject to PGMC's withholding of applicable taxes, for stockholders of record as at December 31, 2022 to be paid not later than March 31, 2023. The cash dividends amounting to ₱323.7 million was taken out of the unrestricted earnings of PGMC as at December 31, 2022. As at December 31, 2022, the cash dividends payable amounted to ₱97.6 million (see Note 30).

As at December 31, 2022 and 2021, retained earnings include the accumulated equity in undistributed net earnings of subsidiaries and associates amounting to ₱4,898.5 million and ₱2,581.2 million which is not available for dividend declaration by the Parent Company until declared by the investee companies. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

In accordance with Revised SRC 68, Annex 68-C, the Parent Company's retained earnings available for dividend declaration amounted to ₱6,579.1 million and ₱3,110.3 million as at December 31, 2022 and 2021, respectively.

NCI

2022				
	SPNVI	MHC	PGMC	Total
Percentage of ownership	0.56%	35.97%	0.02%	
Acquisition of SPNVI and MHC (see Notes 9 and 37), as restated	₱6,503	₱429,936	₱-	₱436,439
Issuance of capital stock	-	-	446	446
Retained earnings, beginning	-	-	211	211
Total comprehensive income attributable to NCI	41,586	191,886	282	233,754
Cash dividend	-	(125,895)	(56)	(125,951)
Total	₱48,089	₱495,927	₱882	₱544,899
2021				
	MHC	PGMC	Total	
Percentage of ownership	35.97%	0.02%		
Acquisition of MHC (see Notes 9 and 37)	₱356,639	₱-	₱356,639	
Effect of finalization of provisional amounts of MHC	73,297	-	73,297	
Acquisition of MHC (see Notes 9 and 37), <i>as restated</i>	429,936	-	429,936	
Issuance of capital stock	-	446	446	
Retained earnings, beginning	-	59	59	
Total comprehensive income attributable to NCI	-	406	406	
Cash dividend	-	(254)	(254)	
Total, as restated	₱429,936	₱657	₱430,593	



On November 9, 2021, the Parent Company acquired additional 49% and 40% interest in FSC and FSLC, respectively, for a consideration amounting to ₱30.1 million and ₱7.5 million, respectively. The carrying amount of the NCI on FSC and FSLC on the acquisition date amounted to ₱24.3 million and ₱6.3 million, respectively. The difference between the consideration and carrying amount of NCI in FSC and FSLC amounting to ₱6.3 million and ₱0.7 million, respectively, was recognized as deduction from the retained earnings attributable to the Parent Company.

The dividend declared attributable to PGMC and MHC's NCI in relation to its dividend declaration amounted to ₱126.0 million and ₱0.3 million as at December 31, 2022 and 2021, respectively.

Material NCI

As at December 31, 2022 and 2021, accumulated balance of material NCI amounted to ₱495.9 million and ₱429.9 million, respectively, which represents 35.97% equity interest in MHC. Profit allocated to material NCI amounted to ₱191.9 million and nil in 2022 and 2021, respectively.

The summarized financial information of MHC as of December 31, 2022 and 2021 is provided below:

	December 31, 2022	December 31, 2021 <i>as restated</i>
Current assets	₱158,589	₱105,758
Noncurrent assets	1,609,303	1,754,651
Total assets	1,767,892	1,860,409
Current liabilities	65,965	253,341
Noncurrent liabilities	323,203	411,808
Total liabilities	389,168	665,149
Net assets	1,378,724	1,195,260
Attributable to:		
Equity holders of parent	₱882,797	₱765,324
NCI	495,927	429,936
	2022	2021
Revenue	₱126,083	₱198,415
Cost and expenses	231,485	233,098
Other charges (income)	(638,864)	87,939
Net income (loss), after tax	533,462	(122,622)
Other comprehensive income	-	-
Total comprehensive income (loss)	533,462	(122,622)
Attributable to:		
Equity holders of parent	₱231,576	(₱122,622)
NCI	191,886	-

Treasury Shares

In 2022 and 2021, the Parent Company purchased a total of 20,527,000 common shares amounting to ₱55.4 million and 126,862,000 common shares amounting to ₱367.9 million, respectively. This is pursuant to the Share Buyback Program which was approved by the BOD on June 29, 2016 and May 15, 2018. The estimated number of shares for re-purchase, approved and authorized by the BOD is up to ten percent (10%) and an additional five percent (5%) of the total outstanding shares of the Parent Company, respectively. On December 22, 2020, the BOD approved to buy back an additional five percent (5%) of the Parent Company's outstanding shares for three (3) years at market price. As at December 31, 2022 and 2021, the Parent Company repurchased about to 15% and 13% of its total outstanding shares, respectively.



The Parent Company has 882,571,322 shares amounting to ₱1,968.2 million and 862,044,322 shares amounting to ₱1,912.8 million as at December 31, 2022 and 2021, respectively.

Equity Reserve

As at July 1, 2013, as a result of the reverse acquisition, the “Equity reserve” account represents the difference between the legal capital (i.e., the number and type of “Capital stock” issued, “APIC” and “Treasury shares”) of the legal acquirer (GFNI) and accounting acquirer (PGMC). Subsequent to July 1, 2013 up to the date of the Share Swap transaction, the movements of the equity accounts of PGMC Group are adjusted to “Equity reserve”.

Below is the summary of the movements of the “Equity reserve” account:

Legal capital of PGMC (Accounting acquirer):	
Capital stock, net of NCI of ₱191	₱700,184
Legal capital of GFNI (legal acquirer):	
Capital stock	(2,257,472)
APIC	(127,171)
Issuance of stock by GFNI	(193,900)
Treasury shares	18
Balance as at June 30, 2013	(1,878,341)
Movement	-
Balance as at June 30, 2014	(1,878,341)
Issuance of stock by GFNI through Share Swap	(5,357,204)
Assumption and cancellation of GFNI receivables	(2,589,722)
Acquisition of net assets of the accounting acquiree (GFNI)	2,605,460
Application of equity reserve to APIC and retained earnings	7,210,807
Issuance of stock by PGMC	9,000
Balance as at December 31, 2014	₱-

21. EPS

The following reflects the income and share data used in the basic and diluted EPS computations:

	2022	2021	2020
		<i>(As restated)</i>	
Net income attributable to common shareholders (amounts in thousands)	₱1,921,387	₱2,106,442	₱1,867,572
Weighted average number of common shares outstanding for basic EPS	5,199,892,908	5,230,124,154	5,466,090,863
Basic/diluted EPS	₱0.37	₱0.40	₱0.34

As at December 31, 2022, 2021 and 2020, there are no potentially dilutive common shares.



22. Cost of Sales

	2022	2021	2020
Contract hire	₱1,455,810	₱1,538,782	₱1,675,610
Depreciation, depletion and amortization (Note 27)	318,134	271,448	290,551
Personnel costs (see Note 26)	216,458	200,885	167,138
Fuel, oil and lubricants	87,891	52,822	28,482
Environmental protection costs	84,226	55,844	31,857
Community relations	63,173	52,857	52,796
Repairs and maintenance	25,179	21,051	22,191
Manning services	24,502	21,698	20,927
Operations overhead	23,692	16,690	11,154
Assaying and laboratory	13,651	16,273	23,983
Power and utilities	11,893	9,090	6,119
Health and safety	10,489	4,607	6,922
Others	19,969	24,956	30,284
	₱2,355,067	₱2,287,003	₱2,368,014

Contract hire pertains to the services offered by the contractors related to the mining operating activities of the Group. The services include, but are not limited to, ore extraction and beneficiation, hauling and equipment rental.

Operations overhead includes, but are not limited to, materials and supplies, travel and transportation expenses and other miscellaneous charges.

Others pertain to insurance, rent expense, materials, supplies and spare parts, agency fees, license and service fees.

23. General and Administrative

	2022	2021	2020
Personnel costs (Note 26)	₱274,406	₱234,055	₱227,066
Depreciation (Note 27)	152,615	90,005	50,163
Taxes and licenses	127,367	145,609	118,559
Outside services	87,100	64,415	56,748
Consultancy fees	61,938	45,050	43,203
Marketing and entertainment	58,456	49,988	60,550
Repairs and maintenance	33,758	30,356	10,595
Provision for ECL on trade receivables (Note 5)	23,574	-	-
Travel and transportation	20,674	10,536	13,897
Fuel, oil and lubricants	18,885	11,165	6,999
Insurance	14,930	4,972	4,672
Office supplies	9,874	5,785	5,817
Membership and subscription	7,026	4,544	4,143
Communication	5,749	4,376	4,873
Rentals (Note 18)	1,850	1,138	1,812
Provision for impairment losses on:			
Inventories (Note 6)	4,075	1,577	-
Other noncurrent assets (Note 12)	3,260	3,891	160,871
Others	40,696	26,785	24,377
	₱946,233	₱734,247	₱794,345



Others pertain to utilities, communication, sponsorship, freight and delivery charges, and other miscellaneous expenses.

24. Excise Taxes and Royalties

	2022	2021	2020
Royalties to:			
Government	₱301,094	₱330,011	₱330,134
Claim-owners (Note 34)	234,846	356,720	298,858
ICC	60,206	71,345	66,735
Excise taxes	246,770	285,381	264,107
	₱842,916	₱1,043,457	₱959,834

The Group is paying royalty fees to CMDC equivalent to two percent (2%) to five percent (5%) of gross receipts in 2022, 2021 and 2020. The Group is also paying royalty fees to ICC equivalent to a minimum of one percent (1%) of the gross output from the mining operations.

The Group, in accordance with DENR Administrative Order No. 96-40, Series 1996, on the Revised Implementing Rules and Regulations of RA No. 7942, is required to pay to the Philippine Government the following:

- A royalty tax of five percent (5%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to the DENR-MGB
- An excise tax of four percent (4%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to the BIR

As at December 31, 2022 and 2021, excise taxes and royalties payable amounted to ₱140.8 million and ₱28.7 million, respectively (see Note 13).

25. Shipping and Distribution

	2022	2021	2020
Stevedoring charges and shipping expenses	₱311,409	₱61,271	₱54,345
Barging charges	200,851	292,304	300,050
Fuel, oil and lubricants	41,636	29,433	16,907
Personnel costs (Note 26)	30,547	31,578	25,438
Government fees	27,182	35,161	32,487
Supplies	2,104	2,424	1,306
Repairs and maintenance	1,151	584	567
	₱614,880	₱452,755	₱431,100

Barging charges pertain to expenses incurred from services provided by external shipping companies to transport nickel ore from the Group's causeway (barge) to the foreign vessels.



26. Personnel Costs

	2022	2021	2020
Salaries and wages	₱506,246	₱395,879	₱358,523
Retirement benefits costs (Note 17)	8,026	13,500	10,565
Other employee benefits	7,139	57,139	50,554
	₱521,411	₱466,518	₱419,642

Other employee benefits pertain to various benefits given to employees which are individually immaterial.

Personnel costs were distributed as follows:

	2022	2021	2020
Cost of sales (Note 22)	₱216,458	₱200,885	₱167,138
General and administrative (Note 23)	274,406	234,055	227,066
Shipping and distribution (Note 25)	30,547	31,578	25,438
	₱521,411	₱466,518	₱419,642

27. Depreciation, Depletion and Amortization

The amounts of depreciation, depletion and amortization expense are distributed as follows:

	2022	2021	2020
Cost of sales (Notes 8, 10, 12 and 22)	₱318,134	₱271,448	₱290,551
General and administrative (Notes 8 and 23)	152,615	90,005	50,163
	₱470,749	₱361,453	₱340,714

28. Finance Costs

	2022	2021	2020
Interest expense (Notes 14, 16 and 17)	₱106,651	₱50,072	₱542,175
Accretion interest on provision for mine rehabilitation and decommissioning (Note 16)	11,234	8,170	8,171
Accretion interest on noninterest bearing liability (Note 14)	35,099	-	-
Bank charges	2,391	6,932	4,576
	₱155,375	₱65,174	₱554,922



29. Other Income (Charges) - net

	2022	2021	2020
Settlement award from arbitration	₱680,000	₱-	₱-
Day 1 Gain (Note 14)	504,273	-	-
Loss on derecognition of deposit for future stock acquisition (Note 30)	(469,253)	-	-
Foreign exchange gains (losses) - net	(75,203)	39,584	(43,977)
Demurrage - net	(15,309)	(586,852)	(42,603)
Gain (loss) on disposal of property and equipment (Note 8)	426	-	(147)
Reversal of provision for ECL (Note 5)	-	-	40,159
Gain on extinguishment of debt (Note 38)	-	25,704	-
Others	19,935	1,739	2,102
	₱644,869	(₱519,825)	(₱44,466)

Settlement award from arbitration

Settlement award from arbitration refers to the final and full settlement received by MHC, a subsidiary, from its case against Holcim Philippines, Inc. (Holcim), net of reimbursements, amounting to ₱680.0 million.

On September 11, 2020, the Arbitral Tribunal awarded MHC a compensation for the annual minimum revenues due to MHC under the parties' Memorandum of Agreement (MOA) dated January 12, 2015 covering the period of two years or from September 22, 2018 to September 21, 2020, or the time when the MOA was effectively suspended. The Final Award also directed the parties to return to their original status prior to Holcim's illegal termination of the MOA, and thus, required the parties to continue with their obligations under the MOA until its expiration in 2022.

On July 8, 2022, MHC and Holcim came to terms and executed a Settlement Agreement that included, among others, the Settlement Amount of ₱700.0 million, which represents the full and final settlement of all claims and obligations.

Advances from Huarong Asia Limited

Advances from Huarong Asia Limited (Huarong) pertains to advances given by Huarong as support to the operations of FSC and FSLC. The advances are noninterest bearing and payable on demand. As a result of Huarong's relinquishment of its interest in FSC and FSLC (see Note 1), all rights to any of the outstanding advances were settled by the Group as at December 31, 2021. A gain on extinguishment of debt amounting to ₱25.7 million was recognized as the result of settlement of advances from Huarong (see Note 30).

Breakdown of net foreign exchange gains (losses) is as follows:

	2022	2021	2020
Net realized foreign exchange gains (losses)	₱49,489	₱139	(₱42,564)
Unrealized foreign exchange gains (losses) on:			
Cash	59,599	43,714	(24,935)
Trade and other receivables	(21,609)	(48)	(634)
Prepayments and other current assets	-	-	(834)
Other noncurrent assets	-	1,215	-
Trade and other payables	(17,509)	1,044	(3,953)
Payable to shareholders of CNMEC	(107,480)	-	-
Loans payable (Note 15)	(80,190)	(6,480)	28,943
Noninterest bearing liability (Note 14)	42,496	-	-
	(₱75,204)	₱39,584	(₱43,977)



Net demurrage represents the amount paid/received by the Group to/from the buyer when the shipment loading is delayed/ahead of the allowable laytime.

30. Related Party Disclosures

Related party relationship exists 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 enterprises and its key management personnel, directors or its stockholders.

Set out on the 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. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.



Category	Amount/ Volume	Sale of nickel ore	Advances to related parties	Advances from related parties	Noninterest bearing liability	Terms	Conditions
Stockholders							
2022	₱111,827	₱-	₱205,498	₱-	₱2,435,682	(A), (B)	(C)
	₱2,947,352						
2021	₱-	₱-	₱1,867,385	₱9,070	-	(A), (B)	(C)
Affiliates with common officers, directors and stockholders							
2022	892	-	8,429	227,683	-	(A), (B)	(C)
2021	294,742	-	226,791	226,791	-	(A), (B)	(C)
Associates							
2022	2,146,342	2,146,342	-	-	-	(A)	(C)
2021	-	2,798,451	91,799	-	-	(A)	(C)
Total		₱2,146,342	₱213,927	₱227,683	₱2,435,682		
Total		₱2,798,451	₱2,764,514	₱235,861	₱-		



Intercompany transactions below are eliminated in the consolidated financial statements.

Category	Amount/ Volume	Trade and other payables	Barging services	Sale of nickel ore	Trade and other receivables	Advances to related parties	Advances from related parties	Rent income	Loan payable	Declaration of dividend	Terms	Conditions
Subsidiaries												
PGMC												
2022	₱1,282,298	₱97,587	₱-	₱642,829	₱-	₱30,000	₱-	₱-	₱-	₱323,694	(A)	(C)
2021	₱276,008	₱33,474	₱-	₱2,790,306	₱-	₱30,000	₱-	₱-	₱-	₱1,476,046	(A)	(C)
2020	₱5,7312,142	₱59,586	₱-	₱2,970,021	₱-	₱-	₱-	₱-	₱-	₱1,230,038	(A)	(C)
PCSSC												
2022	170,688	-	81,147	-	198,062	-	-	-	-	-	(B)	(C)
2021	-	-	81,345	-	27,374	-	-	-	-	-	(B)	(C)
2020	82,552	-	82,552	-	43,614	-	-	-	-	-	(B)	(C)
SIRC												
2022	323	-	-	-	-	2,378	-	-	-	-	(B)	(C)
2021	-	-	-	-	-	2,701	-	-	-	-	(B)	(C)
2020	-	-	-	-	-	2,922	-	-	-	-	(B)	(C)
PIL												
2022	175,248	-	-	-	-	222,623	-	-	-	-	(A)	(C)
2021	47,375	-	-	-	-	58,425	-	-	-	-	(A)	(C)
2020	11,050	-	-	-	-	11,050	-	-	-	-	(A)	(C)
FSC												
2022	2,203	-	-	-	-	-	172,701	-	-	-	(B)	(C)
2021	-	-	-	-	-	-	170,498	-	-	-	(B)	(C)
2020	58,874	-	-	-	-	-	181,281	-	-	-	(B)	(C)
FSLC												
2022	353,572	-	-	-	5,136	-	516,750	5,136	-	-	(B)	(C)
2021	455	-	-	-	5,455	-	11,901	5,455	-	-	(B)	(C)
2020	2,999	-	-	-	5,000	-	11,901	5,000	-	-	(B)	(C)
MHC												
2022	-	-	-	-	-	2	-	-	30,000	224,100	(B)	(C)
2021	-	-	-	-	-	-	-	-	30,000	-	(B)	(C)
2020	-	-	-	-	-	-	-	-	-	-	(B)	(C)
SPNVI												
2022	-	-	-	-	-	-	1,154,850	-	-	-	(B)	(C)
2021	-	-	-	-	-	-	-	-	-	-	(B)	(C)
2020	-	-	-	-	-	-	-	-	-	-	(B)	(C)

(Forward)



Category	Amount/ Volume	Trade and other payables	Barging services	Sale of nickel ore	Trade and other receivables	Advances to related parties	Advances from related parties	Rent income	Loan payable	Declaration of dividend	Terms	Conditions
INC												
2022	1,851,479	8,929	₱-	-	-	-	1,820,233	-	-	-	(B)	(C)
2021	-	-	-	-	-	-	-	-	-	-	(B)	(C)
2020	-	-	-	-	-	-	-	-	-	-	(B)	(C)
Total		₱106,516	₱81,147	₱642,829	₱203,198	₱255,003	₱3,664,700	₱5,136	₱30,000	₱547,795		
Total		₱33,474	₱81,345	₱2,790,124	₱32,829	₱91,126	₱182,399	₱5,455	₱30,000	₱1,476,046		
Total		₱59,486	₱82,552	₱2,970,021	₱48,614	₱13,972	₱193,182	₱5,000	₱-	₱1,20,038		

(A) On demand; noninterest-bearing; collectible in cash

(B) On demand; noninterest-bearing; payable in cash

(C) Secured; with guarantee



The summary of significant transactions and account balances with related parties are as follows:

- a. PIL, a subsidiary, entered into several ore supply sales agreements with PGMC for the purchase of nickel ore amounting to ₱642.8 million, ₱2,790.3 million and ₱2,970.0 million in 2022, 2021 and 2020, respectively.

GCTN and GHL, associates, entered into an ore supply sale agreement with PGMC and INC for the purchase of nickel ore amounting to ₱2,146.4 million, ₱2,798.5 million and nil in 2022, 2021 and 2020, respectively.

The sale of ore within the group amounted to ₱2,789.2 million, ₱2,790.3 million, and ₱2,970.0 million in 2022, 2021 and 2020, respectively.

- b. The Parent Company, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million as at December 31, 2015 to the Parent Company.

In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed another Deed of Assignments wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.3 million.

As at December 31, 2021, these advances amounting to ₱2,171.0 million, will form part of the purchase price for the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 and are recorded under "Deposits for future acquisition" (see Note 1).

On December 21, 2022, the Parent Company and the shareholders of SPNVI agreed to terminate the MOA dated November 27, 2014 and Contract to Sell dated August 6, 2015 with immediate effect, and acknowledged that these agreements have shall be of no further force and effect. This is in line with the Parent Company's mining portfolio concentration through its subsidiary, PGMC (see Notes 1 and 9). Furthermore, as indicated in the Termination Agreement, the Sellers shall return any payments made to it by Parent Company subject to the terms to be mutually agreed by the parties. As indicated in the Termination Agreement, the advances to SPNVI amounting to ₱1,152.8 million is noninterest-bearing and is payable in 10 years while the advances to the shareholders of SPNVI amounting to ₱586.2 million, net of liability of the Parent Company to these shareholders amounting to ₱9.0 million previously recorded under "Advances from related parties", will be paid on demand.

On the date of the execution of the Termination Agreement, the Parent Company recognized the following:

- Recognition of share in net income from SPNVI amounting to ₱46.1 million which is directly added to the carrying amount of the deposits from future acquisition.
- Derecognized the deposits for future acquisition amounting to ₱2,217.3 million and reclassified it as advances to SPNVI and five shareholders of SPNVI amounting to ₱1,152.8 million and ₱586.2 million, respectively. The advances to shareholders of SPNVI is net of liability of the Parent Company to these shareholders amounting to ₱9.0 million previously recorded under "Advances from related parties".
- Recognized a loss on derecognition of deposits for future acquisition amounting to ₱469.3 million (see Note 29).

On December 31, 2022, the Parent Company executed a Deed of Assignment with PGMC wherein the Parent Company assigned all its rights, titles, and interest on its advances to the five shareholders of SPNVI amounting to ₱586.2 million.



- c. In the first quarter of 2022, PGMC entered into a seven-month Time Charter Agreement with PCSSC wherein the latter will render barging services to the former for a monthly charter fee amounting to ₱2.0 million per LCT, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounting to ₱49.9 million, ₱81.3 million and ₱82.6 million in 2022, 2021 and 2020, respectively.

On September 1, 2022, INC entered into a seven-month Time Charter Agreement with PCSSC wherein the latter will render barging services to the former for a monthly charter fee amounting to ₱2.0 million per LCT, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to ₱31.2 million in 2022.

Total charter fee incurred amounted to ₱81.1 million, ₱81.3 million and ₱82.6 million in 2022, 2021, and 2020, respectively. Charter fee eliminated amounted to ₱49.9 million, ₱81.3 million and ₱82.6 million in 2022, 2021 and 2020, respectively (see Note 39).

- d. On November 9, 2016, the Parent Company entered into a Deed of Guarantee with Baiyin International Investment Ltd. (BIIL) to serve as a guarantor for the loan made by INC, a subsidiary of SPNVI, with BIIL. As guarantor, the Parent Company, irrevocably and conditionally, jointly and severally guarantees to BIIL the due and punctual payment and performance of INC in all secured obligations. Also, the Parent Company, undertakes to pay principal obligation of INC, if INC fails to pay its principal obligation and any of the secured obligations, as if it was the principal obligor (see Note 1). This Deed shall terminate on the date on which the secured obligations are irrevocably satisfied in full. On November 17, 2021, INC has fully settled its loan to BIIL, consequently, the deed of guarantee with BIIL is also terminated upon full settlement of the loan.
- e. On January 21, 2020, FSLC and FSC entered into a lease agreement which allows FSC to occupy FSLC's parcel of land located in Mariveles, Bataan for a period of 25 years, renewable upon mutual agreement of both parties, and for a monthly consideration amounting to ₱5.0 per square meter. The lease period will commence upon the start of commercial operations of FSC. Rental revenue eliminated amounted to ₱5.1 million and ₱5.4 million in 2022 and 2021, respectively.
- f. On December 29, 2021, MHC entered into a loan agreement with PGMC amounting to ₱30.0 million to assist the former's port development and operations in Bataan. The loan is payable within one year from the execution of the loan agreement and is subject to an interest rate of seven percent (7%) per annum. In 2022, MHC settled the full amount of loans from PGMC.
- g. On December 30, 2020, the PGMC's BOD and stockholders approved the declaration of cash dividends amounting to ₱47.50 per share to stockholders of record as at December 30, 2020 to be paid not later than March 31, 2021 amounting to ₱1,230.2 million. The dividends were settled by offsetting the cash advances to stockholders under "Advances to related parties" amounting to ₱1,170.6 million. As at December 31, 2020, the cash dividends eliminated amounted to ₱59.7 million. The cash dividends payable was fully settled in 2021.
- h. On December 31, 2021, PGMC's BOD and stockholders approved the declaration of cash dividends amounting to ₱57.00 per share for stockholders of record as at December 31, 2021 to be paid not later than March 31, 2022. Portion of the cash dividends payable was settled by offsetting the cash advances to the Parent Company amounting to ₱1,442.6 million. As at December 31, 2021, the cash dividends payable eliminated amounted to ₱33.5 million. In 2022, PGMC settled its dividends payable to GFNI.
- i. On December 31, 2022, PGMC's BOD and stockholders approved the declaration of cash dividends amounting to ₱12.50 per share for stockholders of record as at December 31, 2022 to be paid not later than May 31, 2023. The dividend income earned by the Parent Company in 2022 in relation to the cash dividends amounting to ₱323.7 million. As at December 31, 2022, the cash dividends payable eliminated amounted to ₱97.6 million.



- j. On May 23, 2022, MHC's BOD and stockholders approved the declaration of cash dividends subject to MHC's withholding of applicable taxes, for stockholders of record as at August 31, 2022. The dividend income earned by the Parent Company in 2022 in relation to the cash dividends amounting to ₱224.1 million. As at December 31, 2022, MHC settled its dividend payable to GFNI.
- a. In 2022, the Parent Company and its stockholder executed Deed of Assignment wherein the Parent Company assigned its receivables to the stockholder, originally receivable from various stockholders of the Parent Company amounting to ₱1,323.2 million.

On September 30, 2022, these advances amounting to ₱1,323.2 million formed part of the purchase price for the acquisition of GHGC pursuant to the Share Purchase Agreement executed on the same date (see Note 9).

- k. As at December 31, 2022 and 2021, advances to related parties amounting to ₱213.9 million and ₱2,764.5 million, respectively, were guaranteed by the major stockholder of the Group's related parties. In the event these related parties are unable to settle the advances when demanded, the guarantor will pay the liabilities in which the obligations are expressed.
- l. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The short-term benefits of key management personnel of the Group in 2022, 2021 and 2020 amounted to ₱85.7 million, 74.4 million and ₱79.3 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱65.4 million, ₱41.0 million and ₱44.3 million in 2022, 2021 and 2020, respectively.

31. Income Taxes

Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE"

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

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 25%.
- MCIT rate is reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Qualified export enterprises shall be entitled to four (4) to seven (7) years ITH to be followed by ten (10) years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to four (4) to seven (7) years ITH to be followed by five (5) years ED.

As clarified by the Philippine FRSC in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as at December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in 2020. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as at December 31, 2020 (i.e., 30% RCIT/2% MCIT) for financial reporting purposes.



Applying the provisions of the CREATE Act, the Group's RCIT and MCIT rates were reduced to 25% and 1%, respectively, in 2021. In addition, the Group's deferred taxes were reduced as a result of the reduction in corporate income tax rates.

Current and Deferred Taxes

The current provision for income tax represents RCIT in 2022, 2021 and 2020. It also represents amounts which are expected to be paid to different taxation authorities, the BIR and the Inland Revenue Department (IRD) in HK.

For the BIR, the reconciliation between income before income tax computed at the statutory income tax rate and the provision for income tax at the effective income tax rate as shown in the consolidated statements of comprehensive income is as follows:

	2022	2021	2020
Income before tax computed at statutory income tax rate	₱563,279	₱508,464	₱639,525
Add (deduct) tax effects of:			
Nontaxable income:			
Day 1 gain	(126,068)	-	-
Share in net loss (income) of investment in associates	(54,869)	13,029	(10,723)
Interest income already subjected to final tax	(4,264)	(525)	(1,043)
Nondeductible expenses:			
Loss on:			
Derecognition of deposit for future stock subscription	117,313	-	-
Remeasurement of investment in an associate	-	10,356	-
Expiration of deferred tax asset on NOLCO	16,433	24,289	33,273
Change in:			
Unrecognized deferred tax assets	12,636	(7,616)	(8,556)
Income tax rate	-	(42,961)	-
Accretion income (expense)	8,030	(173)	-
Operating loss under GIT	1,646	-	-
Interest expense	246	112	460
Provision for impairment losses on input VAT	152	828	38,067
Nondeductible taxes	-	1,903	1,449
Others	2,310	97	6,570
	₱536,844	₱507,803	₱699,022

For the IRD, the reconciliation between income before income tax computed at HK profit tax rate and the provision for income tax at the effective income tax rate as shown in the consolidated statements of comprehensive income is as follows:

	2022	2021	2020
Income before tax computed at HK profits tax rates* of:			
8.25% (First HK\$ 2.0 million)	₱1,147	₱1,045	₱1,055
16.5% (Over HK\$ 2.0 million)	75	78,299	85,847
Add (deduct) tax effects of:			
Nondeductible expenses	1,982	1,714	2,273
Nontaxable income	(2,329)	(45)	(371)
Depreciation allowances	-	-	(170)
Provision for income taxes	₱875	₱81,013	₱88,634

*The two-tiered profits tax rates regime was implemented by the IRD commencing from the year of assessment 2018/19. Under the regime, the first HK\$ 2.0 million of profits has been taxed at 8.25% while the remaining profits continued to be taxed at the existing 16.5% tax rate.



In 2022, PIL recognized provision for income taxes amounting to ₱0.9 million. During 2022, PIL has made income tax payments amounting to ₱91.6 million. As at December 31, 2022, PIL has income tax receivable amounting to ₱90.7 million (see Note 5).

The components of the Group's net deferred tax assets are as follows:

	2022	2021
Deferred tax assets:		
Allowance for ECL on Trade and other receivables	₱66,428	₱66,428
Provision for mine rehabilitation and decommissioning	65,260	76,354
Depreciation of right-of-use asset	43,476	16,452
Unrealized foreign exchange losses - net	20,152	-
Retirement obligation recognized in profit or loss	6,713	6,694
Accrued taxes	2,620	2,620
NOLCO	2,298	2,298
Allowance for impairment losses on Inventories	1,679	1,883
	₱208,626	₱172,729
Deferred tax liabilities:		
Lease payments	(36,906)	(15,364)
Undepleted asset retirement obligation	(16,557)	(33,593)
Retirement obligation directly recognized in OCI	(11,728)	(14,451)
Unrealized foreign exchange gains - net	(220)	(5,756)
	(₱65,411)	(₱69,164)
Deferred tax assets - net	₱143,215	₱103,565

The components of the Group's net deferred tax liabilities are as follows:

	2022	2021
Deferred tax assets:		
Depreciation of right-of-use asset	₱3,450	₱2,326
Retirement obligation recognized in profit or loss	252	226
Allowance for impairment losses on Inventories	204	-
	₱3,906	₱2,552
Deferred tax liabilities:		
Valuation of property and equipment of MHC	(85,888)	(91,918)
Currency translation adjustment recognized directly in OCI	(44,633)	(6,370)
Retirement obligation directly recognized in OCI	(117)	(117)
Rental income	(3,898)	(2,614)
Unrealized foreign exchange gains - net	(550)	(763)
	(₱135,086)	(₱101,782)
Deferred tax liabilities - net, as restated	(₱131,180)	(₱99,230)

On September 30, 2020, the BIR issued Revenue Regulations (RR) 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. As a result of the enactment of CREATE, the Group's deferred tax assets and deferred tax liabilities were lowered by ₱51.0 million and ₱8.0 million, respectively, in 2021.

As of December 31, 2022, the Group has incurred NOLCO before taxable year 2022 which can be claimed as deduction from the regular taxable income for the next applicable taxable years, as follows:

Year Incurred	Availment Period	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2019	2020-2022	₱-	₱75,322	₱-	₱-
2022	2023-2025	-	-	-	60,176
		₱135,498	₱-	₱-	₱60,176



As at December 31, 2022, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱61,737	₱-	₱-	₱-	₱61,737
2021	2022-2026	41,606	-	-	-	41,606
		₱103,343	₱-	₱-	₱-	₱103,343

The Group does not have excess MCIT that can be claimed as deduction from income tax due as at December 31, 2022 and 2021.

The Group has availed of the itemized deductions method in claiming its deductions in 2022, 2021 and 2020.

32. Financial Risk Management Objectives and Policies and Capital Management

The Group's financial instruments mainly consist of cash equivalents, trade receivables, advances to contractors and interest receivables under "Trade and other receivables", advances to related parties and restricted cash under "Other noncurrent assets", trade and other payables (excluding statutory payables), loans payable, lease liabilities under PFRS 16, advances from related parties and payable to BNVI and previous stockholders of CNMEC which are under "Other noncurrent liabilities". 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 other financial assets and liabilities such as trade receivables and interest receivable under "Trade and other receivables", restricted cash previously under "Prepayments and other current assets" and currently under "Other noncurrent assets", trade and other payables and advances from related parties, which directly arise from its operations.

The main risks arising from the Group's financial instruments are market, credit and liquidity risk. The BOD and management review and agree on the policies for managing each of these risks which are summarized below.

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 exchange rates, interest rates and equity prices.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings arising from changes in foreign exchange rates.

The Group has transactional currency exposures. The Group's exposure to foreign currency risk pertains to US\$-denominated and HK\$-denominated financial assets and liabilities which primarily arise from export sales of mineral products, loan with TCB and other loans payable.

To mitigate the effects of foreign currency risk, the Group seeks to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis via Bankers Association of the Philippines for US\$-denominated accounts and Bangko Sentral ng Pilipinas for HK\$-denominated accounts.



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	HK\$ Amount	Peso Equivalent	US\$ Amount	HK\$ Amount	Peso Equivalent
Financial Assets:						
Cash in banks	US\$13,582	HK\$217,037	₱2,440,311	US\$32,432	HK\$257,907	₱2,770,083
Trade receivables	12,927	-	725,462	3,582	8,926	239,803
Restricted cash previously under "Prepayment and other current assets" and currently under "Other noncurrent assets"	1	11,810	84,311	1	11,785	77,176
	US\$26,510	HK\$228,847	₱3,250,084	US\$36,015	HK\$278,618	₱3,087,062
	2022			2021		
	US\$ Amount	HK\$ Amount	Peso Equivalent	US\$ Amount	HK\$ Amount	Peso Equivalent
Financial Liabilities:						
Trade and other payables	US\$1,928	HK\$947	₱114,955	US\$2,632	HK\$763	₱138,620
Noninterest bearing liability	51,762	-	2,435,682	-	-	-
Loans payable	15,000	-	841,800	15,000	-	450,216
Other current liabilities	6,743	-	378,436	-	-	-
	US\$75,433	HK\$947	₱3,770,873	US\$17,632	HK\$763	₱588,836
Net Financial Assets (Liabilities)	(US\$48,923)	HK\$227,900	(₱520,764)	US\$18,383	HK\$277,855	₱2,498,226

The exchange rates used for the conversion of US\$1.00 to peso equivalent were ₱56.12 and ₱50.77 as at December 31, 2022 and 2021, respectively. The exchange rates used for the conversion of HK\$1.00 to peso equivalent were ₱7.13 and ₱6.55 as at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ and HK\$ exchange rates, with all other variables held constant, of the Group's income before income tax (due to changes in revaluation of financial assets and liabilities) for the years ended December 31, 2022, 2021 and 2020.

	US\$ Appreciates/ Depreciates by	Effect on Income Before Income Tax US\$	HK\$ Appreciates/ Depreciates by	Effect on Income Before Income Tax HK\$
December 31, 2022	(1.02)	₱49,782	(0.13)	(₱29,889)
	1.14	(₱55,677)	0.16	37,501
December 31, 2021	(0.31)	(₱5,607)	(0.03)	(₱8,614)
	0.65	11,921	0.07	18,450
December 31, 2020	(0.47)	(₱892,922)	(0.32)	(₱340,098)
	0.09	170,985	0.36	380,568

There is no other effect on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk for changes in interest primarily relates to its loan with banks with floating interest rate.

The Group regularly monitors interest rates movements to assess exposure impact. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.



The terms and maturity profile of the interest-bearing financial assets and liabilities as at December 31, 2022 and 2021, together with their corresponding nominal interest rate and carrying values are shown in the following table:

2022	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash in banks	Various	₱3,156,946	₱-	₱-	₱-	₱3,156,946
Short-term cash investments	1.5%-6%	21,766	-	-	-	21,766
Loans Payable	LIBOR plus 3.5%	105,225	105,225	105,225	526,125	841,800
2021	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash in banks	Various	₱3,748,037	₱-	₱-	₱-	₱3,748,037
Short-term cash investments	1.5%-6%	72,129	-	-	-	72,129
Loans Payable	LIBOR plus 3.5%	-	95,201	190,403	476,006	761,610
	6.50%	89,880	-	-	-	89,880
	7.12-7.14%	47,766	-	-	-	47,766

The following table sets forth, for the year indicated, the impact of a reasonably possible change in interest rate for the years ended December 31, 2022, 2021 and 2020 in the consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2022	+100	(₱23,369)
	-100	23,369
December 31, 2021	+100	(₱29,209)
	-100	29,209
December 31, 2020	+100	(₱19,902)
	-100	19,902

There is no other effect on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the Group's quoted equity instrument in OPRGI which is traded in the PSE and classified as "Financial asset at FVOCI" under "Other noncurrent assets".

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is regularly monitored to determine the effect on the Group's financial position.

The table below shows the sensitivity to a reasonably possible change in equity prices on quoted equity instrument as at December 31, 2022 and 2021. 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.

	Average Change in Market Indices	Sensitivity to Equity
2022	(4.35%)	₱183
	4.35%	(183)
2021	(2.04%)	₱37
	2.04%	(37)



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 from its operating activities (primarily for trade receivables) and from its financing activities, including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group only trades with recognized, reputable and creditworthy third parties and/or only transacts with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, export buyers are required to pay via LC issued by reputable banks with the result that Group's exposure to bad debts is not significant. Also, the Group, in some circumstances, requires advances from customers. Since the Group only trades with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure

With respect to credit risk arising from cash and cash equivalents, trade and other receivables, advances to related parties, restricted cash and financial assets at FVOCI under "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash and Cash equivalents, Restricted cash, MRF and Financial assets at FVOCI under "Other noncurrent asset"

In determining the credit risk exposure for cash and cash equivalents, restricted cash, MRF and financial assets at FVOCI under "Other noncurrent asset, the Group has established probability of default rates based on available credit ratings published by third-party credit rating agencies. The credit ratings already considered the 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 in 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

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Allowance for ECL on trade and other receivables amounted to ₱289.3 million and ₱265.7 million as at December 31, 2022 and 2021, respectively.

Below is the ECL for trade and other receivables:

	Current	Less than 30 days	Less than 60 days	Less than 90 days	More than 90 days	Total
2022						
Expected credit loss rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount as default	₱2,244,391	₱-	₱-	₱-	₱289,286	₱2,533,677
ECL	₱-	₱-	₱-	₱-	₱289,286	₱289,286
2021						
Expected credit loss rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount as default	₱63,348	₱-	₱-	₱-	₱265,712	₱329,060
ECL	₱-	₱-	₱-	₱-	₱265,712	₱265,712



Advances to related parties

ECL on advances to related parties are assessed based on either 12-month or lifetime ECL. The Group considers reasonable and supportable information such as historical experience and forward-looking information available at each reporting period to determine whether there has been a significant increase in credit risk since initial recognition. The Group determines the realizable amount of advances to related parties based on cashflow forecast, which includes the use of projected sales volume, commodity prices, production costs and foreign exchange rates. The allowance for ECL on related parties is nil since the Group's expected cash flows to be received exceeds the contractual cash flows due.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three payment defaults or no repayment dates.

Accordingly, the Group has assessed the credit quality of the following financial assets:

- Cash, short-term cash investments, interest receivable, MRF and restricted cash are considered high grade since these are deposited in/or to be received from local and foreign banks.
- Trade receivables, which mainly pertain from sale of nickel ore, are assessed as high grade since the customers have good financial capacity. Trade receivables which are not foreseen to be collected have already been impaired and are classified as substandard grade.
- Advances to contractors are currently assessed as substandard grade since these have no repayment dates and these have already been impaired.
- Amounts owed by related parties are advances that are due and demandable. The advances are secured with financial guarantee contract. Management assesses the quality of these assets as high grade.
- Financial asset at FVOCI under "Other noncurrent assets" is an investment that can be traded to and from companies with good financial capacity, making the investment secured and realizable. Management assessed the quality of this asset as high grade.

The Group has no significant concentration of credit risk in relation to its financial assets. The Group's maximum exposure to credit risk for its financial assets as at December 31, 2022 and 2021 is the carrying amounts as per the statement of financial position.

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 mining activities through internally generated funds and availment of existing credit lines with banks. 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. The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets.

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 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Loans Payable	₱-	₱-	₱105,225	₱105,225	₱105,225	₱526,125	₱841,800
Trade and other payables:							
Trade	337,698	-	-	-	-	-	337,698
Accrued expenses*	180,382	-	-	-	-	-	180,382

(Forward)



2022	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Nontrade	10,624	-	-	-	-	-	10,624
Dividends payable	20,238	-	-	-	-	-	20,238
Advances from related parties	227,683	-	-	-	-	-	227,683
Noninterest-bearing liability	-	-	-	561,200	561,200	1,313,282	2,435,682
Other current liabilities:							
Payable to stockholders of CNMEC	-	126,145	126,145	126,146	-	-	378,436
Payable to BNVI	193,743	-	-	-	-	-	193,743
Total	₱970,368	₱126,145	₱231,370	₱792,571	₱666,425	₱1,839,407	₱4,626,286

**Excluding payables to government*

2021	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Loans Payable	₱137,646	₱-	₱-	₱95,201	₱190,403	₱476,006	₱899,256
Trade and other payables:							
Trade	566,203	-	-	-	-	-	566,203
Advances from Huarong	-	-	-	-	-	-	-
Accrued expenses*	38,307	-	-	-	-	-	38,307
Nontrade	30,426	-	-	-	-	-	30,426
Dividends payable	21,562	-	-	-	-	-	21,562
Interest payable	5,662	-	-	-	-	-	5,662
Advances from related parties	235,861	-	-	-	-	-	235,861
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	-	-	-	-	356,402	-	356,402
Payable to BNVI	-	-	-	-	165,566	-	165,566
Total	₱1,035,667	₱-	₱-	₱95,201	₱712,371	₱476,006	₱2,319,245

**Excluding payables to government*

The tables below summarize the maturity profile of the financial assets used by the Group to manage its liquidity risk as at December 31, 2022 and 2021.

2022	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash and cash equivalents:							
Cash on hand	₱1,873	₱-	₱-	₱-	₱-	₱-	₱1,873
Cash in banks	3,156,946	-	-	-	-	-	3,156,946
Short-term cash investments	21,766	-	-	-	-	-	21,766
Trade and other receivables:							
Trade receivable	2,090,147	-	-	-	-	-	2,090,147
Advances to contractors	208,004	-	-	-	-	-	208,004
Advances to Officers, employees, and others	144,780	-	-	-	-	-	144,780
Advances to related parties:							
Stockholders	151,670	-	-	-	-	-	151,670
Affiliates with common officers, directors and stockholders	62,257	-	-	-	-	-	62,257
Mine rehabilitation fund under "Other noncurrent asset"	378,152	-	-	-	-	-	378,152
Restricted cash under "Other noncurrent asset"	-	-	-	-	-	84,311	84,311
Financial asset at FVOCI under "Other noncurrent assets"	24,640	-	-	-	-	-	24,640
Total	₱6,240,235	₱-	₱-	₱-	₱-	₱84,311	₱6,324,546



2021	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash and cash equivalents:							
Cash on hand	₱1,011	₱-	₱-	₱-	₱-	₱-	₱1,011
Cash in banks	3,748,037	-	-	-	-	-	3,748,037
Short-term cash investments	1,011	-	-	-	-	-	1,011
Trade and other receivables:							
Trade receivable	209,260	-	-	-	-	-	209,260
Advances to contractors	92,588	-	-	-	-	-	92,588
Officers, employees, and others	27,212	-	-	-	-	-	27,212
Advances to related parties:							
Stockholders	1,867,385	-	-	-	-	-	1,867,385
Affiliates with common officers, directors and stockholders	805,330	-	-	-	-	-	805,330
Associate	91,799	-	-	-	-	-	91,799
Mine rehabilitation fund under "Other noncurrent asset"	317,765	-	-	-	-	-	317,765
Restricted cash under Other noncurrent asset"	-	-	-	-	-	77,176	77,176
Financial asset at FVOCI under "Other noncurrent assets"	3,290	-	-	-	-	-	3,290
Total	₱7,164,688	₱-	₱-	₱-	₱-	₱77,176	₱7,241,864

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash balances and strong credit rating to support its business and to maximize stockholders' value.

The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional stockholders' advances to augment capital, (b) issue new shares, and (c) return capital to stockholders if and when feasible. No changes were made in the objectives, policies or processes in 2021 and 2020.

The Group monitors capital using the monthly cash flows and financial statements. It is the policy of the Group to maintain a positive cash flow from operations. The Group determines the inflows from operations for the analysis of its cash position in order to pay currently maturing obligations. The Group places reliance on sales projections and cost management in addressing cash flow concerns.

The Group likewise monitors certain ratios respective of the loan covenants it signed for credit facility obtained for the Surigao mining operations financing as well as for capital expenditure purposes.

33. Fair Value Measurement

Cash and cash equivalents, Trade receivables, Advances to contractors and Interest receivables under "Trade and other receivables" and Trade and other payables

The carrying amounts of cash and cash equivalents, trade receivables, advances to contractors and interest receivable under "Trade and other receivables" and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted cash under "Other noncurrent assets"

The carrying amounts approximate their fair values since these are restricted cash in banks which earn interest based on prevailing market rates repriced monthly.

Financial asset at FVOCI under "Other noncurrent assets"

The fair value of quoted equity instrument is determined by reference to the market closing quotes at the end of the reporting period.



Advances to and from related parties and Payable to previous stockholders of CNMEC and BNVI under "Other noncurrent liabilities"

Advances to and from related parties and payable to previous stockholders of CNMEC and BNVI do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

Loans Payable

The fair value of loans payable is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of loans and borrowings, except for variable-rate borrowings which are repriced quarterly.

Lease Liabilities

The carrying amount of lease liabilities are carried at present value due to the long-term nature of the account. The fair value of lease liabilities was computed by discounting the expected cash flows within EIR ranging from 2.5% to 7.3%. The computed fair value approximates its carrying amount.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

2022	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
Financial asset at FVOCI	₱3,036	₱3,036	₱-	₱-	₱3,036
<i>Liabilities for which fair values are disclosed:</i>					
Loans payable	₱841,800	₱-	₱-	₱841,800	₱841,800
Lease liabilities	835,585	-	-	835,585	835,585
Non- interest bearing liabilities	1,874,482	1,874,482	-	-	1,874,482
Other current liabilities	572,179	572,179	-	-	572,179
	₱4,124,046	₱2,446,661	₱-	₱1,677,385	₱4,124,046

2021	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
Financial asset at FVOCI	₱3,290	₱3,290	₱-	₱-	₱3,290
<i>Liabilities for which fair values are disclosed:</i>					
Loans payable	₱899,256	₱-	₱-	₱899,256	₱899,256
Lease liabilities	824,013	-	-	824,013	824,013
Other noncurrent liabilities	521,968	521,968	-	-	521,968
	₱2,245,237	₱521,968	₱-	₱1,723,269	₱2,245,237

There were no transfers between levels of fair value measurement as at December 31, 2022 and 2021.

34. Significant Agreements

Deed of Guarantee

On November 9, 2016, the Parent Company entered into a Deed of Guarantee with BIIL to serve as a guarantor for the loan availed by INC, a subsidiary of SPNVI, with BIIL. As guarantor, the Parent Company, irrevocably and conditionally, jointly and severally guarantees to BIIL the due and punctual payment and performance of INC in all secured obligations. Also, the Parent Company, undertakes to pay the principal obligation of INC, if INC fails to pay its principal obligation and any of the secured obligations, as if it was the principal obligor. This Deed shall terminate on the date on which the secured obligations are irrevocably satisfied in full. On November 17, 2021, INC has fully settled its loan to BIIL, consequently, the deed of guarantee with BIIL is also terminated upon full settlement of the loan.



Ore Supply Agreements

Revenue from contracts with customers is recognized when the Group satisfies an identified performance obligation by transferring the promised goods to a customer. The performance obligation is satisfied at point in time when the beneficiated nickel ore passes the rail of the vessel since all risk of loss, damage and/or destruction to the ore delivered is borne by the customer upon loading. Revenue from contracts with Chinese customers excluding the net demurrage amounted to ₱6,574.0 million, ₱7,708.1 million and ₱7,262.6 million in 2022, 2021 and 2020, respectively.

Operating Agreements

SIRC

On September 15, 2006, PGMC entered into an operating agreement with SIRC, subsidiary and holder of rights to the mining tenements located in the Surigao provinces. SIRC grants PGMC exclusive privilege and right to occupy, explore, develop, utilize, mine, mill, beneficiate and undertake activities within the areas in the Cagdianao mining tenement covered under MPSA No. 007-92-X for a period of 25 years.

For purposes of royalty obligation, PGMC adopts the royalty agreement entered into by SIRC with CMDC. PGMC shall pay CMDC royalty fees of 3% to 7% of gross receipts determined through freight on board price from the sale of nickel ore mined and produced from the Cagdianao mining properties.

On April 17, 2018, the BOD approved the renegotiation of royalty fees as agreed under the Royalty Agreement dated November 17, 2010, executed by and between CMDC and the Group, with conformity of SIRC. This resulted into an Amended Royalty Agreement, by mutual consent of both parties, containing the lower royalty base rates equivalent to 2% to 5%.

Total royalty fees incurred to CMDC amounted to ₱234.8 million, ₱356.7 million and ₱298.9 million and in 2022, 2021 and 2020, respectively (see Note 24).

CNMEC

On August 25, 2005, INC entered into an operating agreement with CNMEC, a stockholder and holder of rights to the mining tenements located in Brooke's Point, Palawan. CNMEC grants INC the exclusive right to occupy, explore, develop, utilize, mine, mill, beneficiate and undertake activities within Brooke's Point, Palawan which has a total area of 2,835 hectares covered under MPSA No. 017-93-IV - as Amended - 2000 for a period of 25 years.

Service Contract - CAGA 1, 2, 3 and 4

PGMC

In 2022, the Group entered into service contracts with Anseca Dev't Corporation, Best Trucking & Transport Phil. Inc., Cagdianao Konstruct Development, Inc., CTB Engineering Construction, E.Z Mining Enterprises, Inc., MRMJ Earth Movers Corporation, Pazifik Ventures Trucking Service, Inc. and Queens Minerals Transport and Trading Corporation to operate the mining activities within CAGA 1, 2, 3 and 4 in Surigao, wherein the Group will pay the contractors for every ton of ore shipped based on activities described in the Independent Mining Contractor Agreement and classification of ore.

Total contract hire incurred for CAGA 1, 2, 3 and 4 amounted to ₱1,405.1 million, ₱1,538.8 million and ₱1,675.6 million in 2022, 2021 and 2020, respectively (see Notes 6 and 22).

INC

In 2022, the Group entered into service contract with Cagdianao Konstruct Development, Inc. to operate the mining activities within Brooke's Point, Palawan wherein the Group will pay the contractors for every ton of ore shipped based on activities described in the Independent Mining Contractor Agreement and classification of ore.

Total contract hire incurred related to this service contract amounted to ₱4.1 million in 2022 (see Notes 6 and 22).



35. Other Matters

Mercantile Insurance Co., Inc. (MIC)

On November 6, 2017, the Regional Trial Court (RTC) of Makati ordered MIC to pay ₱183.3 million in relation to the insurance policy covering PGMC's property and equipment which were destroyed and deemed totally lost on October 3, 2011 due to an armed group which simultaneously raided and seized control of PGMC's mining complex. On December 11, 2017, PGMC and MIC filed a Motion for Partial Reconsideration and a Motion for Reconsideration, respectively. On December 18, 2017, MIC filed a Motion to Inhibit which was granted on January 11, 2018. In a Resolution dated May 9, 2018, the trial court: (a) affirmed the Decision dated November 6, 2017, which ordered MIC to pay PGMC the amount of ₱183.3 million; (b) denied MIC's Motion for Reconsideration; and (c) granted PGMC's Motion for Partial Reconsideration, ordering MIC to pay the following additional amounts: (i) interest at six percent (6%) per annum from the date of filing of the case on August 30, 2013 until the obligation is fully paid; (ii) ₱18.0 million by way of attorney's fees; and (iii) ₱4.5 million as costs of suit. MIC filed a Notice of Appeal, which was approved by the lower court.

Thus, on August 8, 2018, MIC filed its Appellant's Brief. On October 30, 2018, PGMC filed its Appellee's Brief. In a Decision dated December 4, 2019, the Court of Appeals (CA) granted MIC's Appeal and set aside the decision of the RTC. PGMC filed a Motion for Reconsideration on January 2, 2020; on October 6, 2020, however, PGMC received a Resolution from the CA denying its Motion for Reconsideration.

Considering that it only had fifteen (15) days or until October 21, 2020 to file its Petition for Review on Certiorari, on October 21, 2020, PGMC, in a motion, requested for an additional thirty (30) days or until November 20, 2020 to file its Petition for Review on Certiorari. On November 20, 2020, PGMC filed its Petition for Review on Certiorari with the Supreme Court (SC). On March 9, 2021, PGMC was notified that SC Third Division issued a Resolution: i) requiring MIC to file its Comment to the Petition, and ii) PGMC to submit proof of service of its Petition to MIC. PGMC complied with the Court's directive on March 11, 2021. On March 19, 2021, MIC filed a motion and requested to be given an additional fifteen (15) days or until April 4, 2021 to file its Comment to the Petition. On May 10, 2021, MIC filed its Comment to the Petition. Since the Comment contains erroneous, misleading, baseless and conclusory statements requiring refutation, on October 29, 2021, PGMC filed a Motion for Leave to Admit its Reply to MIC's Comment. To date, the Petition is still pending with SC Third Division.

36. Events After the End of the Reporting Period

Acquisition of Additional Interest in MHC

On March 2, 2023, the Parent Company acquired an additional 23.98% interest (equivalent to 1,000,000 common shares) in MHC from Seasia Logistics Philippines, Inc., an existing stockholder, for ₱192.0 million cash, resulting in 88.01% ownership in MHC. The increased shareholding in MHC gives GFNI significant control over the operation of the Mariveles port.

37. Supplemental Disclosure to Consolidated Statements of Cash Flows

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

	January 1, 2022	Availments/ Additions	Payments	Interest expense	Reclassification	Effect of modification of lease	Day 1 gain	Foreign exchanges	December 31, 2022
Loans payable									
Current	₱247,109	₱-	(₱137,646)	₱-	₱126,022	-	-	₱80,190	₱315,675
Noncurrent	652,147	-	-	-	(126,022)	-	-	-	526,125
Lease Liability									
Current	64,725	-	(111,720)	51,538	(18,474)	71,755	-	-	57,824
Noncurrent	442,243	317,045	-	-	18,474	-	-	-	777,762

(Forward)



	January 1, 2022	Availments/ Additions	Payments	Interest expense	Reclassification	Effect of modification of lease	Day 1 gain	Foreign exchanges	December 31, 2022
Noninterest bearing liability									
Current	-	561,200	-	-	-	-	-	-	561,200
Noncurrent	-	2,386,152	-	35,099	-	-	(504,273)	(42,496)	1,874,482
Other current liabilities									
Current	-	28,177	-	-	436,522	-	-	107,480	572,179
Noncurrent	521,968	-	(85,446)	-	(436,522)	-	-	-	-
Total liabilities from financing activities	P4,875,544	P345,222	(P334,812)	P86,637	P-	P71,755	(P504,273)	P145,174	P4,370,247

	January 1, 2021	Availments/ Additions	Payments	Interest expense	Reclassification	Effect of finalization of provisional amounts in MHC (see Note 38)	Day 1 gain	Foreign exchanges	December 31, 2021
Loans payable									
Current	P460,487	P240,629	(P460,487)	P-	P-	P-	P-	P6,480	P247,109
Noncurrent	-	652,147	-	-	-	-	-	-	652,147
Lease Liability									
Current	56,213	67,738	(99,151)	22,103	17,822	-	-	-	64,725
Noncurrent	37,868	424,597	(2,400)	-	(17,822)	317,045	-	-	759,288
Other noncurrent liabilities									
Current	-	-	-	-	-	-	-	-	-
Noncurrent	521,968	-	-	-	-	-	-	-	521,968
Total liabilities from financing activities	P1,076,536	P1,385,111	(P562,038)	P22,103	P-	P317,045	P-	P6,480	P2,245,237

Noncash financing and investing activities as at December 31, 2022 pertain to the following:

- a. Net increase in property and equipment as a result of the following transactions:
 - Change in estimated cost of asset retirement obligation due to change in interest and inflation rate amounting to P119.5 million.
 - Modification of lease agreement resulting to increase in right-of-use asset amounting to P71.2 million.
 - Acquisition of SPNVI as a result of business combination under common control amounting to P1,407.1 million.
 - Depreciation and depletion and amortization of property and equipment and mining rights amounting to P447.2 million-and P8.3 million, respectively.
- b. Unrealized foreign exchange loss recognized on loans payable amounting to P80.2 million.
- c. Decrease in the deposits for future acquisition amounting to P2.2 billion due to the cancellation of contract to sell.
- d. Increase investment in associate due to the acquisition of GHL through offsetting of advances to related parties and noninterest bearing payable amounting to P1.3 billion and P2.4 billion, respectively, which resulted to a recognition of day 1 gain amounting to P504.3 million. The share in income for the three-month period ended December 31, 2022 amounting to P38.0 million.



- e. The increase in other noncurrent assets was due to the net effect of the following:
- Acquisition of SPNVI as a result of business combination under common control amounting to ₱220.4 million.
 - Amortization of the intangible assets amounting to ₱9.4 million.
 - Provision for impairment loss on input VAT amounting to ₱3.3 million.
 - Accretion of interest income from security deposits amounting to ₱1.0 million.
- f. Settlement of cash dividends payable by offsetting the advances to stockholders amounting to ₱606.3 million.

Noncash financing and investing activities as at December 31, 2021 pertain to the following:

- g. Net increase in property and equipment as a result of the following transactions:
- Change in estimated cost of asset retirement obligation due to change in interest and inflation rate amounting to ₱31.4 million.
 - Recognition of additional right-of-use asset amounting to ₱518.4 million.
 - Acquisition of MHC as a result of business combination amounting to ₱1,743.1 million, including the additional property and equipment arising from the effect of finalization of provisional amounts of MHC amounting to ₱632.4 million, as restated
 - Reclassification from mine exploration cost to mining properties under “Property and equipment” amounting to ₱115.8 million.
- h. Unrealized foreign exchange loss recognized on loans payable amounting to ₱6.5 million.
- i. Decrease in investment in associate due to the recognition of share in net loss amounting to ₱49.1 million and remeasurement of investment associate arising from business acquisition of MHC amounting to ₱41.4 million.
- j. Decrease in deposit for future acquisition due to the recognition of share in net loss of SPNVI amounting to ₱3.0 million.
- k. Settlement of cash dividends payable by offsetting the advances to stockholders amounting to ₱302.6 million.

38. Business Combinations

Business combination under Common Control

On December 5, 2022, the BOD and stockholders of SPNVI approved the application for the increase in capital stocks of SPNVI from ₱100.8 million divided into 10.0 billion of preferred shares with par value of one centavo (₱0.01) and 800.0 thousand common shares with one peso (₱1.0) par value to ₱200.0 million divided into 10.0 billion of preferred shares with par value of one centavo (₱0.01) and 100.0 million common shares with one peso (₱1.0) par value. Of the increase in the capital stocks of SPNVI, the Group, through PGMC, subscribed to 91.8 million common shares of SPNVI.

On December 22, 2022, the Securities and Exchange Commission approved the increase in capital stocks of SPNVI. On the same day, the Group, through PGMC obtains 99.44% control. The Group and SPNVI were both controlled by its major stockholders before and after December 22, 2022.



Acquisition date carrying amounts of SPNVI

The carrying amounts of the assets acquired and liabilities assumed of SPNVI at the date of acquisition were:

Assets	
Cash	₱324,261
Trade and other receivables	1,365,115
Advances to related parties	211,446
Prepayments and other current assets	22,469
Property and equipment	1,407,137
Other current and noncurrent assets	241,836
	<hr/>
	3,572,264
Liabilities	
Trade and other payables	199,619
Advances from related parties	3,351,622
Provision for mine rehabilitation	63,843
Retirement benefits liability	17,585
Other current and noncurrent liabilities	178,693
	<hr/>
	3,811,362
Total carrying amounts of net assets (liabilities) of SPNVI	(₱239,098)

(a) Effect on equity using the pooling of interest method

Consideration paid for the additional interest acquired	₱91,798
Carrying amount of the previously held interest (Note 9)	135,160
Non-controlling interest	6,503
	<hr/>
Total consideration	233,461
Carrying amount of SPNVI's net liabilities	(239,098)
Retained earnings	(₱472,559)

The Group acquired cash from SPNVI as the result of the acquisition amounting to ₱81.2 million.

Business acquisition of MHC

On December 19, 2019, the Group acquired 40.05% of the share capital of MHC for ₱450.0 million cash consideration, a company that operates the first purpose-built Dry Bulk Terminal located within the FAB in Mariveles and handles shipments of coal, clinker, silica sand and cement raw materials, as well as steel, fertilizer and other dry bulk cargoes. MHC was acquired to facilitate port access and to accommodate the volume of operation of the Group's subsidiary, FSC. The initial investment in MHC is classified as investment in an associate and is accounted for using the equity method.

On December 29, 2021, the Group acquired an additional 23.98% interest in MHC from Nectar Group Limited, an existing stockholder, for ₱192.0 million (see Note 1), resulting in 64.03% ownership in MHC and thereby gained control over MHC on December 29, 2021.

The Group determined that it obtained control over MHC upon the execution of the Deed of Absolute Sale which was executed on December 29, 2021. As allowed under PFRS 3, *Business Combinations*, an entity may designate an acquisition date of the end or the beginning of a month (convenience date), the date on which it closes its books, rather than the actual acquisition date. The Group determined that the date of acquisition is on December 31, 2021 (convenience date) rather than the actual date the Deed of Absolute Sale was executed as there are no material transactions that occurred from December 29, 2021 to December 31, 2021.

The Group has elected to measure the non-controlling interest in MHC at the proportionate share of its interest in MHC's identifiable net assets.



(a) Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of MHC at the date of acquisition were:

Assets	
Cash	₱33,280
Trade and other receivables	41,244
Spare parts and supplies	17,168
Prepayments and other current assets	11,076
Property and equipment	1,105,781
Computer software	4,454
Advances to suppliers and contractors	2,959
Other noncurrent assets	4,131
	<u>1,220,093</u>
Liabilities	
Trade and other payables	88,782
Loans payable	137,646
Retirement benefits liability	2,180
	<u>228,608</u>
Total identifiable net assets at fair value	<u>₱991,485</u>

(b) Bargain purchase gain and loss remeasurement loss of investment in an associate*23.98% Step Acquisition*

Consideration paid for the 23.98% interest	₱192,000
Fair value of the 40.05% previously held interest	397,090
Fair value of the 35.97% NCI	356,639
Total consideration	<u>945,729</u>
Fair value of identifiable net assets	991,485
Bargain purchase gain	<u>(₱45,756)</u>

Remeasurement of 40.05% previously held equity method investment

Carrying value of investment in associate as at December 31, 2021	₱438,516
Fair value of the 40.05% previously held interest	397,090
Loss on remeasurement of investment in associate	<u>₱41,426</u>

(c) Acquisition-date fair value of consideration transferred

Cash paid/consideration transferred	₱192,000
Direct costs relating to the acquisition	₱1,750
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	₱33,280
Cash paid	(192,000)
Net consolidated cash outflow	<u>(₱158,720)</u>

The fair values disclosed are provisional as at December 31, 2021. This is because the acquisition only occurred on December 31, 2021, and due to the complexity of the acquisition of MHC, particularly in valuing nonfinancial assets, further work will be required to confirm the final fair values. The finalization of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within twelve (12) months of the acquisition date, at the latest.

In determining the provisional identifiable assets and liabilities of MHC, the Group has used the Cost Approach with reference to PFRS 13, *Fair Value Measurement*.



This transaction resulted in a provisional gain on a bargain purchase as the shares were valued based on the estimated construction cost of MHC's Facilities amounting to about ₱800.0 million and the corresponding 23.98% interest of which represents the consideration paid amounting to ₱192.0 million. If the acquisition had taken place at the beginning of 2021, revenue and net loss would have been increased by ₱142.9 million and ₱122.7 million, respectively for the year ended December 31, 2021.

In March 2022, the final valuation of the identifiable net assets of MHC was completed. The 2021 comparative information was restated to reflect the adjustment to the provisional amounts, summarized as follows:

Consolidated Statements of Financial Position

	As of December 31, 2021, <i>as previously reported</i>	Effect of the finalization of the provisional amounts	As of December 31, 2021, <i>as restated</i>
Property and equipment	₱3,746,417	₱637,325	₱4,383,742
Deferred tax assets – net	96,253	(91,918)	4,335
Trade and other payables	707,381	23,924	731,305
Lease liabilities - net of current portion	442,243	317,045	759,288
Retained earnings	5,500,360	131,141	5,631,501
Non-controlling interest	357,296	73,297	430,593

Consolidated Statements of Comprehensive Income

	Year-ended December 31, 2021, <i>as previously reported</i>	Effect of the finalization of the provisional amounts	Year-ended December 31, 2021, <i>as restated</i>
Bargain purchase gain	₱45,756	₱131,141	₱176,897
Net Income attributable to:			
Equity holders of the Parent	₱1,975,301	₱131,141	₱2,106,442
NCI	406	-	406

The increased depreciation expense on the property and equipment from the acquisition date to December 31, 2022 amounted to ₱9.0 million.

39. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision-maker (the BOD) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

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 Group conducts majority of its business activities in the following areas:

- The mining segment is engaged in the exploration, mining and exporting of nickel saprolite and limonite ore;
- The services segment is engaged in the chartering out of LCTs by PCSSC to PGMC and port services rendered by MHC to its customers; and
- The manufacturing segment includes FSC which is engaged in the manufacturing of iron steel bars and FSLC which is engaged in holding the real properties of FSC.



The Group's core business is the sale of nickel ore to external customers which accounted for 98% and 100% of the Group's total revenue in 2022 and 2021 and 2020, respectively. Accordingly, the Group's mining segment operates in two (2) geographical locations, Philippines and Hong Kong, China. The Group's manufacturing segment is incorporated to build a rebar steel rolling plant in Bataan, Philippines. Noncurrent assets of the Group comprising property and equipment, mine exploration costs, mining rights, and other noncurrent assets are located in the Philippines and Hong Kong, China.

Almost all revenues of the Group in 2022, 2021 and 2020 are generated from external customers located in China. China is a top importer of nickel ore worldwide, as raw material for intermediate products for the manufacture of stainless steel, nickel pig iron, nickel cathodes, among others. Any slowdown in these sectors in China or in China's economy or outlook in general could result in lower Chinese demand for the Group's product. In the event that the demand for the Group's nickel ore from the Chinese customers materially decreases and the Group is unable to find new customers to replace the Chinese customers, the Group's business, results of operations, and financial condition could be materially and adversely affected.

Revenues from the major external customers of the Group are covered by ore supply agreement.

	2022	2021	2020
Viva Global Group, Ltd.	₱2,373,743	₱-	₱3,302,833
Guangdong Century Tsingshan Nickel Company Limited	1,928,152	2,798,451	-
Baosteel Resources International Co., Ltd	289,398	965,708	1,070,626
Yeter International Limited	-	1,028,510	-
Eagle Rock Resources, Inc.	-	-	935,856
	₱4,591,293	₱4,792,669	₱5,309,315



Financial information on the operation of the various business segments for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022				Total
	Mining	Manufacturing	Services	Elimination	
External customers	P6,574,048	P-	P157,329	P-	P6,731,377
Intersegment revenues	643,803	5,137	49,900	(698,840)	-
Total revenues	7,217,851	5,137	207,230	(698,840)	6,731,377
Cost of sales	2,791,900	-	232,036	(668,870)	2,355,066
Excise taxes and royalties	842,916	-	-	-	842,916
Shipping and distribution	665,756	-	-	(50,877)	614,879
Segment operating earnings	2,917,279	5,137	(24,806)	20,907	2,918,517
General and administrative	827,476	12,197	97,591	8,968	946,232
Finance costs	(124,558)	(1)	(30,816)	-	(155,375)
Share in net income of investment in associates	219,475	-	-	-	219,475
Finance income	11,304	24	280	-	11,608
Other charges - net	(18,704)	-	691,634	(28,061)	644,869
Provision for (benefit from) income tax	509,996	1,284	28,681	(2,242)	537,719
Segment net income (loss)	1,667,324	(8,321)	510,020	(13,883)	2,155,140
Net income attributable to NCI	41,867	-	191,886	-	233,753
Segment net income (loss) attributable to equity holders	P1,625,457	(P8,321)	P318,134	(P13,883)	P1,921,387
Segment assets	P32,246,473	P804,598	P1,990,089	(P17,211,614)	P17,829,546
Deferred tax assets - net	189,552	-	2,298	(48,635)	143,215
Total assets	P32,436,025	P804,598	P1,992,387	(P17,260,249)	P17,972,761
Segment liabilities	P9,676,392	P746,501	P719,288	(P4,565,062)	P6,577,119
Capital expenditures	P344,664	P236,904	P29,754	P-	P611,322
Depreciation, depletion and amortization	P348,376	P1,855	P120,518	P-	P470,749



	2021				Total
	Mining	Manufacturing	Services	Elimination	
External customers	₱7,708,105	₱-	₱-	₱-	₱7,708,105
Intersegment revenues	2,790,306	-	81,345	(2,871,651)	-
Total revenues	10,498,411	-	81,345	(2,871,651)	7,708,105
Cost of sales	5,000,947	-	86,589	(2,800,533)	2,287,003
Excise taxes and royalties	1,043,457	-	-	-	1,043,457
Shipping and distribution	534,100	-	-	(81,345)	452,755
Segment operating earnings	3,919,907	-	(5,244)	10,227	3,924,890
General and administrative	708,174	11,463	14,612	-	734,249
Finance costs	(65,173)	-	(1)	-	(65,174)
Finance income	6,429	-	-	-	6,429
Share in net loss of investment in associates	(52,116)	-	-	-	(52,116)
Loss on remeasurement of investment in associate	(41,426)	-	-	-	(41,426)
Bargain purchase gain, <i>as restated</i>	-	-	-	176,897	176,897
Other charges - net	(512,649)	3,051	-	(10,228)	(519,826)
Provision for (benefit from) income tax	586,428	1,877	511	-	588,816
Segment net income (loss)	1,960,370	(10,258)	(20,163)	176,896	2,106,845
Net income attributable to NCI	406	-	-	-	406
Segment net income (loss) attributable to equity holders	₱1,959,964	(₱10,258)	(₱20,163)	₱176,896	₱2,106,442
Segment assets	₱23,762,903	₱451,290	₱2,458,177	(₱12,233,857)	₱14,438,513
Deferred tax assets - net	103,703	(3,377)	(87,027)	(8,964)	4,335
Total assets, <i>as restated</i>	₱23,866,606	₱447,913	₱2,371,150	(₱12,242,821)	₱14,442,848
Segment liabilities, <i>as restated</i>	₱3,452,420	₱386,155	₱920,610	(₱1,137,861)	₱3,621,324
Capital expenditures	₱904,919	₱9,975	₱1,125,028	₱-	₱2,039,922
Depreciation, depletion and amortization	₱321,567	₱513	₱39,373	₱-	₱361,453



	2020				Total
	Mining	Manufacturing	Services	Elimination	
External customers	₱7,262,574	₱-	₱-	₱-	₱7,262,574
Intersegment revenues	2,970,020	-	82,552	(3,052,572)	-
Total revenues	10,232,594	-	82,552	(3,052,572)	7,262,574
Cost of sales	5,296,675	-	79,965	(3,008,626)	2,368,014
Excise taxes and royalties	959,834	-	-	-	959,834
Shipping and distribution	513,652	-	-	(82,552)	431,100
Segment operating earnings	3,462,433	-	2,587	38,606	3,503,626
General and administrative	759,381	6,153	28,811	-	794,345
Finance costs	(54,920)	(1)	(1)	-	(54,922)
Share in net loss of investment in associates	35,745	-	-	-	35,745
Finance income	6,800	58	560	-	7,418
Other charges - net	(3,463)	(2,250)	(147)	(38,606)	(44,466)
Provision for income tax	788,913	1,500	(2,757)	-	787,656
Segment net income (loss)	1,898,301	(9,846)	(23,055)	-	1,865,400
Net income attributable to NCI	375	(2,547)	-	-	(2,172)
Segment net income (loss) attributable to equity holders	₱1,897,926	(₱7,299)	(₱23,055)	₱-	₱1,867,572
Segment assets	₱21,607,913	₱522,420	₱350,821	(₱11,059,740)	₱11,421,414
Deferred tax assets - net	151,813	(1,500)	2,809	-	153,122
Total assets	₱21,759,726	₱520,920	₱353,630	(₱11,059,740)	₱11,574,536
Segment liabilities	₱2,542,762	₱455,859	₱2,188	(₱539,235)	₱2,461,574
Capital expenditures	₱170,524	₱72,739	₱1,393	₱-	₱244,656
Depreciation, depletion and amortization	₱305,169	₱508	₱35,037	₱-	₱340,714



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Global Ferronickel Holdings, Inc. and Subsidiaries
Penthouse, Platinum Tower
Asean Avenue corner Fuentes St., Aseana
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2022, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 24, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules 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 basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic 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 24, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Global Ferronickel Holdings, Inc. and Subsidiaries
Penthouse, Platinum Tower
Asean Avenue corner Fuentes St., Aseana
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2022 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 24, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic 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 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 24, 2023



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
ANNUAL AUDITED FINANCIAL REPORT
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**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
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FOR THE YEAR ENDED DECEMBER 31, 2022**

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- IV. Schedule showing financial soundness indicators

SCHEDULE I
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO THE REVISED SRC RULE 68 AND
SEC MEMORANDUM CIRCULAR NO. 11
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands)

		2022
Unappropriated Retained Earnings, beginning		₱7,665,138
Net income in the prior year closed to retained earnings		1,381,142
Share in net loss from investment in associates		52,116
Treasury shares		<u>(1,912,806)</u>
Unappropriated Retained Earnings, as adjusted, beginning		7,185,590
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	<u>543,577</u>	
Less: Non-actual/unrealized income net of tax		
Day 1 gain on noninterest bearing liability	504,273	
Share in net income from investment in associates	219,475	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	<u>-</u>	
Subtotal	<u>723,748</u>	
Add: Non-actual losses		
Loss on derecognition of deposit for future acquisition	469,253	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	64,983	
Loss on disposal of investment in associate	134,860	
Loss on fair value adjustment of investment property (after tax)	-	
Equity in net loss of associate/joint venture		
Adjustment due to remeasurement of investment	<u>-</u>	
Subtotal	<u>669,096</u>	
Net Income Actual/Realized		<u>488,925</u>
Add (Less):		
Dividend declarations during the period	(1,039,974)	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	<u>(55,407)</u>	<u>(1,095,381)</u>
Unappropriated Retained Earnings, as adjusted, ending		<u>₱6,579,134</u>

SCHEDULE II
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO REVISED SRC RULE 68,
AS AT DECEMBER 31, 2022
(Amounts in Thousands; Except Number of Shares)

Schedule A. Financial Assets

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	Income Received and Accrued
Cash on hand and in banks	N/A	₱3,158,819	₱8,107
Short-term cash investments	N/A	21,776	201
Trade and other receivables:			
Trade receivables	N/A	2,090,147	-
Advances to contractors	N/A	208,004	-
Restricted cash under			
"Other noncurrent assets"	N/A	84,311	-
Financial asset at FVOCI under			
"Other noncurrent assets"	4,216,100 shares	3,036	-
Advances to related parties	N/A	213,927	-
		₱5,780,020	₱8,308

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/assigned	Amounts written-off/offset/reclass	Current	Non current	Balance at end of period
Various stockholders	₱1,867,385	₱11,540,422	(₱13,202,309)	₱-	₱205,498	₱-	₱205,498
Bravo Cement, Inc.	7,452	46	-	-	7,498	-	7,498
Sohoton Eco-tourism Development, Inc.	712	-	-	-	712	-	712
Giantlead Prestige, Inc	-	86	-	-	86	-	86
Swift Glory Int'l Holdings, Inc.	62,334	81	(46,764)	(15,570)	81	-	81
Ipilan Nickel Corporation*	734,792	-	-	(734,792)	-	-	-
Southeast Palawan Nickel Ventures, Inc.*	91,799	1,063,052	-	(1,154,851)	-	-	-
Cagdianao Lateritic Nickel Mining, Inc.	40	12	-	-	52	-	52
	₱2,764,514	₱12,603,699	₱13,249,073	(₱1,905,213)	₱213,927	₱-	₱213,927

**Due to effect of business combination, these was eliminated at the consolidation.*

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts reclassified	Current	Non current	Amount eliminated
Southeast Palawan Nickel Ventures, Inc.	₱91,799	₱1,063,052	₱-	₱-	₱1,154,851	₱-	₱1,154,851
Ipilan Nickel Corporation	734,792	-	-	-	734,792	-	734,792
FNI Steel Landholdings, Corp.	163,178	353,572	-	-	516,750	-	516,750
PGMC-CNEP Shipping Services, Corp.	-	198,062	-	-	198,062	-	198,062
FNI Steel Corp.	170,498	2,203	-	-	172,701	-	172,701
Platinum Group Metals Corporation	30,000	-	-	-	30,000	-	30,000
Celestial Nickel Mining Exploration Corporation	-	9,186	-	-	9,186	-	9,186
Surigao Integrated Resources Corporation	2,701	-	(323)	-	2,379	-	2,379
	₱1,192,968	₱1,626,075	(₱323)	₱-	₱2,818,721	₱-	₱2,818,721

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Mining rights	₱125,579	₱-	₱8,275	₱-	₱-	₱117,304
Golf membership	32,838	-	2,033	-	-	30,805
Computer software	4,454	792	4,564	-	-	682

Schedule E. Long-Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as Current	Amount shown as Noncurrent
Gu Zhifang	₱-	₱561,200	₱1,874,482
Taiwan Cooperative Bank	-	315,675	526,125
	₱-	₱561,875	₱2,400,607

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Beginning balance	Ending balance
	Not Applicable	

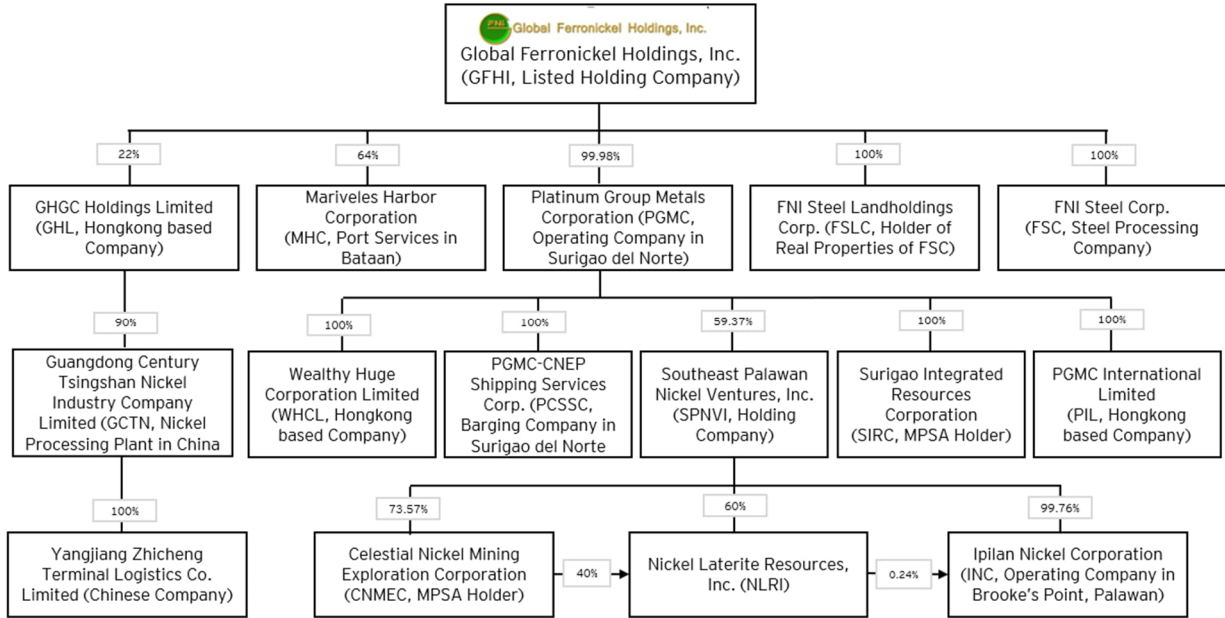
Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
	Not Applicable			

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	11,957,161,906	6,072,357,151	-	-	148,931,967	5,923,425,184

SCHEDULE III
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO REVISED SRC RULE 68
AS AT DECEMBER 31, 2022



* 59.37% represents the indirect ownership of GFNI on SPNVI's all classes of outstanding shares, preferred and common. GFNI indirectly owns 99.44% of the outstanding common shares of SPNVI with voting power, though PGMC its subsidiary.

**SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Years Ended December 31		
	2022	2021	2020
Profitability ratios:			
Return on assets	13.6%	15.5%	16.7%
Return on equity	19.6%	20.0%	22.3%
Net profit margin	32.0%	25.6%	25.7%
Solvency and liquidity ratios:			
Current ratio	1.99:1	5.13:1	3.70:1
Debt to equity ratio	0.57:1	0.31:1	0.27:1
Quick ratio	1.88:1	4.89:1	3.47:1
Asset to equity ratio	1.57:1	1.31:1	1.27:1

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SEC Registration Number

G L O B A L F E R R O N I C K E L H O L D I N G S I N C

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(Company's Full Name)

P E N T H O U S E P L A T I N U M T O W E R A S E A N

A V E N U E C O R . F U E N T E S S T .

A S E A N A P A R A Ñ A Q U E

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

Atty. Noel Lazaro

(Contact Person)

(632) 5118229

(Company Telephone Number)

Month Day Fiscal Year

Month Day (Fiscal Year)

1 7 - Q

(Form Type)

Month Day

Month Day (Annual Meeting)

Secondary License Type

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended - **MARCH 31, 2023**
2. Commission Identification Number - **ASO94-003992**
3. BIR Tax Identification Number - **003-871-592**
4. Exact name of issuer as specified in its charter
GLOBAL FERRONICKEL HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Penthouse, Platinum Tower, Asean Avenue corner Fuentes St.,
Aseana, Parañaque City, Metro Manila, Philippines 1701
8. Issuer's telephone number, including area code
(632) 8519-7888
9. Former name, former address and former fiscal year, if changed since last report
Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common Shares	6,072,357,151
Amount of Debt Outstanding	Not applicable
11. Are any or all of the securities listed on a Philippine Stock Exchange?
Yes 6,072,357,151 Common Shares No
12. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes No
13. Has been subject to such filing requirements for the past ninety (90) days.
Yes No



Global Ferronickel Holdings, Inc.

**17-Q QUARTERLY REPORT
MARCH 31, 2023**

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2023 and for the three-month period ended March 31, 2023 and 2022 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2022) are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2023 and 2022 and as at March 31, 2023 and December 31, 2022:

1.a. Summary Consolidated Statements of Financial Position

	March 31, 2023	December 31, 2022	Increase/ (Decrease)	Percent Inc. (Dec.)
	(Unaudited)	(Audited)		
	<i>(In Thousand Pesos)</i>			
ASSETS				
Current Assets	4,970,718	5,986,937	(1,016,219)	-17.0%
Noncurrent Assets	12,384,644	11,985,824	398,820	3.3%
TOTAL ASSETS	17,355,362	17,972,761	(617,399)	-3.4%
LIABILITIES AND EQUITY				
Current Liabilities	2,817,032	3,006,299	(189,267)	-6.3%
Noncurrent Liabilities	3,005,692	3,570,820	(565,128)	-15.8%
Total Liabilities	5,822,724	6,577,119	(754,395)	-11.5%
Equity				
Equity Attributable to the Parent Company	11,111,270	10,850,743	260,527	2.4%
Non-controlling Interests	421,368	544,899	(123,531)	-22.7%
Total Equity	11,532,638	11,395,642	136,996	1.2%
TOTAL LIABILITIES AND EQUITY	17,355,362	17,972,761	(617,399)	-3.4%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Quarter Ended		Increase (Decrease)	Percent Inc. (Dec.)
	March 31			
	2023	2022		
	<i>(In Thousand Pesos)</i>			
Revenues	1,128,701	39,904	1,088,797	2728.5%
Cost and Expenses	(620,015)	(230,449)	389,566	169.0%
Finance Costs	(68,233)	(25,780)	42,453	164.7%
Share in Net Income (Loss) of Investment in Associates	52,777	(10,992)	(63,769)	-580.1%
Other Income (Charges) - net	32,970	(10,568)	43,538	412.0%
Income (Loss) Before Income Tax	526,200	(237,885)	764,085	321.2%
Provision for (Benefit from) Income Tax - net	167,374	(39,726)	207,100	521.3%
Net Income (Loss)	358,826	(198,159)	556,985	281.1%
Other Comprehensive Income (Loss)	(29,830)	16,044	(45,874)	-285.9%
Total Comprehensive Income (Loss)	328,996	(182,115)	511,111	280.7%
Basic and Diluted Income (Loss) Per Share	0.0296	(0.0375)	0.0671	179.1%
Net Income (Loss) Attributable To:				
Equity Holders of the Parent	153,849	(194,926)	348,775	178.9%
Non-controlling Interest	204,977	(3,233)	208,210	6440.1%
	358,826	(198,159)	556,985	281.1%

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended		For the Year Ended
	March 31		December 31
	2023	2022	2022
	<i>(In Thousand Pesos)</i>		
Capital Stock	6,375,975	6,375,975	6,375,975
Additional Paid-in Capital	239,012	239,012	239,012
Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Loss	(5,312)	(4,680)	(5,818)
Remeasurement Gain on Retirement Obligation	35,535	43,703	35,535
Cumulative Translation Adjustment	103,562	34,270	133,898
Retained Earnings	6,330,711	5,305,434	6,040,354
Treasury Shares - at cost	(1,968,213)	(1,946,033)	(1,968,213)
Non-controlling Interests	421,368	354,063	544,899
Total Equity	11,532,638	10,401,744	11,395,642

1.d. Summary Consolidated Statements of Cash Flows

	For the Quarter Ended	
	March 31	
	2023	2022
	<i>(In Thousand Pesos)</i>	
NET CASH FLOWS FROM (USED IN):		
Operating Activities	449,913	(301,961)
Investing Activities	(1,121,745)	(393,388)
Financing Activities	(217,296)	(62,383)
NET DECREASE IN CASH	(889,128)	(757,732)
Effect of Exchange Rate Changes on Cash	(1,800)	47,443
CASH AT BEGINNING OF PERIOD	3,180,585	3,821,177
CASH AT END OF PERIOD	2,289,657	3,110,888

Basis of Preparation of Interim Consolidated Financial Statements

The unaudited interim consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at March 31, 2023 and December 31, 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended March 31, 2023 and 2022 were prepared in accordance with generally accepted accounting principles in the Philippines. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The accounting principles followed in the preparation of the Group's most recent annual consolidated financial statements were similarly applied in the preparation of the unaudited interim consolidated financial statements. There were no significant changes in the Group's accounting policies, practices and methods of estimates from the Group's last annual consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statement of Financial Condition

As at March 31, 2023, total assets of the Group stood at ₱17,355.4 million, lower by ₱617.4 million or 3.4%, from ₱17,972.8 million as at December 31, 2022. The decline was due to the decrease in current assets by ₱1,016.2 million or 17.0% and increase in noncurrent assets by ₱398.8 million or 3.3%.

The net decrease in the current assets was mainly attributable to the following:

- Decrease in cash and cash equivalents by ₱890.9 million (from ₱3,180.6 million as at December 31, 2022) or 28.0% mainly attributable to payments of loan and liabilities and acquisition of non-controlling interest in its subsidiary, Mariveles Harbor Corporation (MHC);
- Inventories increased to ₱451.0 million (from ₱292.3 million) or an increase by 54.3% mainly attributable to the ₱106.4 million cost of production in progress at the Group's Cagdianao Mine in preparation for the 2023 mining season, and increase in ore stockpile produced amounted to ₱48.0 million from our Palawan Mine; and
- Decrease in advances to related parties, trade and other receivables, and prepayments and other current assets amounted to ₱123.1 million, ₱145.8 million, ₱15.1 million, respectively.

The net increase in noncurrent assets was attributable to the following:

- Net increase in property and equipment amounting to ₱119.0 million or 2.0% mainly attributable to acquisitions during the period amounted to about ₱235.9 million, net of depreciation;
- Share in net income of an associate, GHGC Holdings Ltd. (GHGC) and subsidiaries, amounted to ₱52.8 million during the period; and

- Increase in other noncurrent assets by ₱222.9 million or 16.9% due to increase in advances to suppliers amounted to ₱189.7 million in relation to the Group's preparation for the 2023 mining season and progress payments/deposits made for the purchase of five (5) additional landing craft tank (LCT)s that are expected to be completed and delivered in the third quarter this year; and input value-added tax (VAT) amounted to ₱38.0 million during the period.

Total liabilities of the Group stood at ₱5,822.7 million as at March 31, 2023, down by ₱754.4 million or 11.5%, from ₱6,577.1 million as at December 31, 2022. The net decrease in the total liabilities was mainly attributable to the following: (a) Payments of non-interest bearing liability, loans payable and other current liabilities amounting to ₱544.3 million, ₱105.2 million, and ₱92.5 million, respectively during the period; (b) decrease in trade and other payables amounting to ₱191.7 million; and increase in income tax payable amounting to ₱169.1 million due to the taxable income earned during the quarter from our Palawan Mine operations.

Results of Operations

The Group posted a consolidated net income amounting to ₱358.8 million for the quarter ended March 31, 2023 compared to consolidated net loss of ₱198.2 million in the same period last year. This is the first time that the Group reported a consolidated net income in the first quarter. This is mainly due to its Iplan Nickel Corporation's (INC) Palawan mining operations and share in the net income of its associate, GHGC.

Revenues

The Group's revenues for the three months ended March 31, 2023 amounted to ₱1,128.7 million compared to ₱39.9 million in the same period last year, an increase of ₱1,088.8 million or 2,728.5%. The bulk of the Group's revenues came from its Palawan mining operations accounting for about 98.7% of the total revenues, while the remaining 1.3% pertains to revenues for services rendered to its customers.

Nickel Ore Export Revenues

The Group's first quarter 2023 mining operations generated total export revenues of ₱1,113.7 million compared to nil in the same period last year, which is 100% attributable to the Group's Palawan mining operations. There was no reported sale of nickel ore from the Group's Surigao Mine as it performs nickel ore production and shipment during Surigao dry months of each year between April to October.

The Group completed six (6) shipments of nickel ore and shipped out a total of 0.330 million wet metric tons (WMT) in the quarter ended March 31, 2023. These shipments were sold solely to Chinese customers consisting of 100% medium-grade nickel ore with an average grade of 1.57%.

The overall average realized nickel ore price and the average realized Peso over the United States Dollar (US\$) exchange rate were US\$61.48/WMT and ₱54.82, respectively.

Service Revenues

The service income earned by the Group amounted to ₱15.0 million and ₱39.9 million for the periods ended March 31, 2023 and 2022, respectively, pertains to port services rendered by MHC, a subsidiary, to its customers.

Also, the Group earned service income for the LCTs chartered by INC from its subsidiary, PGMC-CNEP Shipping Services Corp. (PCSSC), amounted to ₱21.7 million for the three months period ended March 31, 2023 as compared to nil for the same period last year. This service income is eliminated in full in the consolidated financial statements.

Cost and Expenses

Cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses, and shipping and distribution. The cost and expenses amounted to ₱620.0 million for the three months ended March 31, 2023 compared to ₱230.4 million in the same period last year, an increase of ₱389.6 million or 169.1%. The increase was attributable mainly to INC's mining operations.

Cost of Sales

The cost of sales amounted to ₱273.7 million in the first quarter of 2023 compared to ₱29.5 million of the previous period, an increase of ₱244.2 million or 827.8%. The increase in the cost of sales for the three months ended March 31, 2023 corresponds mainly to the contract hire and production costs incurred for the Palawan mining operations, compared to the cost of services incurred for the Group's port operation in the first quarter of 2022.

General and Administrative

General and administrative expenses were ₱266.9 million in the period ended March 31, 2023 compared to ₱198.6 million in the period ended March 31, 2022, higher by ₱68.3 million, or 34.4%. This was mainly due to the increase in taxes and licenses, outside services, depreciation and personnel costs amounted to ₱32.5 million, ₱21.1 million, ₱9.1 million and ₱8.0 million, respectively. The increase in the general and administrative expenses is mainly attributable to the Group's Palawan mining operations.

Shipping and Distribution

Shipping and loading costs were ₱32.3 million for the three months ended March 31, 2023 compared to ₱2.3 million in the same period last year, higher by ₱30.0 million, or 1,304.3%. The increase pertains mainly to the stevedoring charges and shipping expenses amounted to ₱30.9 million attributed to the Group's Palawan mining operations.

Finance Costs

Finance costs amounted to ₱68.2 million in the three months ended March 31, 2023 compared to ₱25.8 million of the same period last year, an increase of ₱42.4 million, or 164.3%. This was mainly due to recognized accretion interest expense amounted to ₱36.4 million attributable to the non-interest bearing liability related to the acquisition of an associate.

Share in Net Income/Loss of Investment in Associates

In accordance with Philippine Accounting Standards (PAS) 28, *Investment in Associates and Joint Ventures*, the Group recognizes its share in the net earnings or losses of its associates using the equity method of accounting. The share in net income of investment in an associate amounted to ₱52.8 million for the period ended March 31, 2023 and share in net loss of investment in an associate amounted to ₱11.0 million in the same period last year. For the period ended March 31, 2023, this represents net income take-up of the Group's investment in GHGC, while for the period ended March 31, 2022, this represents net loss take-up for the Group's investment in Southeast Palawan Nickel Ventures, Inc. (SPNVI). SPNVI ceased to be an associate and became a subsidiary of the Group as at December 22, 2022.

Other Income (Charges) - net

Net other income amounted to ₱21.8 million in the period ended March 31, 2023 compared to net other charges amounted to ₱12.7 million in the period ended March 31, 2022, an increase in other income of ₱34.5 million, or 271.6%. The increase was mainly due to the net foreign exchange gains amounting to ₱28.4 million earned during the period compared to net foreign exchange losses incurred amounting to ₱12.7 million in the same period last year.

Provision for (Benefit from) Income Tax - net

The net provision for income tax was ₱167.4 million for the quarter ended March 31, 2023 compared to benefit from income tax of ₱39.7 million in the same period last year, an increase in the provision of ₱207.1 million or 521.7%. The increase in the provision was due to the taxable income earned from the Group's Palawan Mine operations.

Total Comprehensive Income - net of tax

Net Income

As a result of the foregoing, the consolidated net income was ₱358.8 million for the period ended March 31, 2023 compared to consolidated net loss of ₱198.2 million in the same period last year, an increase of ₱557.0 million or 281.0%. Net of non-controlling interests, the net income attributable to equity holders of the Parent Company for the period ended March 31, 2023 amounted to ₱153.8 million compared to net loss of ₱194.9 million in the same period of last year.

Cumulative Translation Adjustment

The Group had recognized cumulative translation adjustment, net of tax amounted to (₱30.3 million) and ₱1526 million for the periods ended March 31, 2023 and 2022, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Statement of Cash Flows

Cash Flows from Operating Activities

The net cash flows from (used in) operating activities resulted in ₱449.9 million and (₱302.0 million) for the quarters ended March 31, 2023 and 2022, respectively. The increase in the cash generated from operations was mainly due to the operations of the Group's Palawan Mine.

Cash Flows from Investing Activities

Net cash flows used in investing activities for the three months ended March 31, 2023 and 2022 amounted to ₱1,121.7 million and ₱393.4 million, respectively. The net cash outflows in 2023 arose mainly from the Group's payment of non-interest bearing liability attributable to the acquisition of an associate amounted to ₱544.3 million, additional investment or acquisition of non-controlling interest in MHC amounted to ₱192.0 million, acquisition of property and equipment, net of depreciation amounted to ₱286.4 million, decrease in advances to related parties amounted to ₱123.1 million, and increase in other noncurrent assets by ₱222.1 million. The net cash outflows in 2022 arose mainly from the acquisition of property and equipment amounted to ₱76.1 million, additional advances to related parties amounted to ₱267.6 million, and increase in other noncurrent assets by ₱49.7 million.

Cash Flows from Financing Activities

For the three months ended March 31, 2023 and 2022, the net cash flows used in financing activities amounted to ₱217.3 million and ₱62.4 million, respectively. The negative cash flows from financing activities for the current period was mainly due to payments of loans payable, lease liabilities and other current liabilities amounted to ₱105.2 million, ₱18.9 million and ₱92.5 million, respectively. The net cash outflows in 2022 arose mainly from purchase of treasury shares in relation to the Parent Company's buyback program amounted to ₱33.2 million, payments of lease liabilities amounted to ₱17.5 million, and payments of loans payable ₱12.7 million.

Material Off-balance Sheet Transactions

The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reported period other than those discussed in this report and in disclosures under Form 17-C.

Material Commitments for Capital Expenditures

The Group does not have any outstanding commitment for capital expenditures as at March 31, 2023.

Known Trends, Events and Uncertainties

There are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Group's principal risks increasing or decreasing in a material way. There were no other significant elements of income or loss that did not arise from the Group's continuing operations.

PART II - FINANCIAL SOUNDNESS INDICATORS

The Group considers the following as the significant Key Performance Indicators as at March 31, 2023 and 2022:

<u>Indicators</u>	<u>Formula</u>	<u>2023</u>	<u>2022</u>
Earnings Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	0.0296	(0.0375)
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.50:1	0.32:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.50:1	1.32:1
Current Ratio	Current Assets/Current Liabilities	1.76:1	4.96:1

PART III - OTHER INFORMATION


The disclosures made under Form 17-C are as follows:

Date	Description
February 8, 2023	Board Approval on the acquisition of 24% shareholding in Mariveles Harbor Corporation
February 23, 2023	Press Release: DENR affirms Ipilan Nickel Corporation's right to conduct responsible mining operations in Brooke's Point
March 3, 2023	Filing of Complaint with Anti-Red Tape Authority (ARTA) by Ipilan Nickel Corporation (INC)
March 3, 2023	FNI now has 88% shareholding in Mariveles Harbor Corporation (MHC). On March 2, 2023, a Deed of Absolute Sale of Shares was executed to transfer the 1,000,000 MHC common shares from Seasia Logistics Philippines Inc. to Global Ferronickel Holdings, Inc. in the amount of Php192,000,000 paid in cash. Its 88% shareholding in MHC gives FNI significant control over the operation of the port.
March 14, 2023	Press Release: Ipilan Nickel Corporation urges Brooke's Point Mayor to act on TRO against harassment by protesters
March 20, 2023	Press Release: Global Ferronickel Holdings, Inc. signs purchase agreement with Baosteel Resources for 1.5 million WMT
March 27, 2023	Press Release: FNI reports 2022 net income of ₱2.2 billion and provides update on strategy

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **GLOBAL FERRONICKEL HOLDINGS, INC.**

Signature and Title: 
ATTY. DANTE R. BRAVO
President

Date: May 15, 2023

Signature and Title: 
MARY BELLE D. BITUIN
Chief Financial Officer

Date: May 15, 2023

Annex A

Aging of Trade and Other Receivables
As at March 31, 2023
(In Thousand Pesos)

	Neither Past Due Nor Impaired	Past Due But Not Impaired			Impaired	Total
		90 Days or Less	91-120 Days	More than 120 days		
Trade	1,609,031	-	-	-	209,575	1,818,606
Advances to Contractors	355,153	-	-	-	79,711	434,864
Income tax receivable	87,833	-	-	-	-	87,833
Advances to Officers, Employees and Others	46,582	-	-	-	-	46,582
Interest Receivable	-	-	-	-	-	-
Total	2,098,599	-	-	-	289,286	2,387,885
Less: Allowance for Doubtful Accounts						289,286
NET RECEIVABLES						2,098,599

GLOBAL FERRONICKEL HOLDINGS, INC.
SEC FORM 17-Q
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statements of Financial Position as at March 31, 2023 and December 31, 2022

Interim Consolidated Statements of Comprehensive Income for the Three-Month Period Ended March 31, 2023 and 2022

Interim Consolidated Statements of Changes in Equity for the Three-Month Period Ended March 31, 2023 and 2022

Interim Consolidated Statements of Cash Flows for the Three-Month Period Ended March 31, 2023 and 2022

Notes to Interim Consolidated Financial Statements

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P2,289,657	P3,180,585
Trade and other receivables (Note 5)	2,098,599	2,244,391
Advances to related parties (Note 29)	90,841	213,927
Inventories (Note 6)	450,964	292,293
Prepayments and other current assets (Note 7)	40,657	55,741
Total Current Assets	4,970,718	5,986,937
Noncurrent Assets		
Property and equipment (Note 8)	6,023,195	5,904,199
Investment in associates (Note 9)	4,361,317	4,308,540
Mining rights (Note 10)	117,304	117,304
Mine exploration costs (Note 11)	179,030	179,030
Deferred tax assets - net (Note 30)	149,768	143,215
Retirement plan asset - net (Note 16)	14,420	16,836
Other noncurrent assets (Note 12)	1,539,610	1,316,700
Total Noncurrent Assets	12,384,644	11,985,824
TOTAL ASSETS	P17,355,362	P17,972,761
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	P760,178	P951,912
Non-interest bearing liability (Note 17)	597,591	561,200
Current portion of loans payable (Note 14)	202,339	315,675
Advances from related parties (Note 29)	226,991	227,683
Current portion of lease liabilities (Note 18)	61,376	57,823
Income tax payable	488,903	319,827
Other current liabilities (Note 17)	479,654	572,179
Total Current Liabilities	2,817,032	3,006,299
Noncurrent Liabilities		
Non-interest bearing liability - net of current portion (Note 17)	1,330,192	1,874,482
Loans payable - net of current portion (Note 14)	518,550	526,125
Provision for mine rehabilitation and decommissioning (Note 15)	262,690	261,039
Lease liabilities - net of current portion (Note 18)	768,109	777,762
Deferred tax liabilities - net	125,919	131,180
Other noncurrent liabilities	232	232
Total Noncurrent Liabilities	3,005,692	3,570,820
Total Liabilities	5,822,724	6,577,119
Equity		
Capital stock (Note 19)	6,375,975	6,375,975
Additional paid-in capital	239,012	239,012
Remeasurement gain on retirement obligation	35,535	35,535
Cumulative translation adjustment	(5,312)	133,898
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	103,562	(5,818)
Retained earnings	6,330,711	6,040,354
Treasury shares (Note 19)	(1,968,213)	(1,968,213)
Equity attributable to the Parent Company	11,111,270	10,850,743
Non-controlling interests (NCI) (Note 19)	421,368	544,899
Total Equity	11,532,638	11,395,642
TOTAL LIABILITIES AND EQUITY	P17,355,362	P17,972,761

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023 AND 2022
(Amounts in Thousands, Except Earnings per Share)

	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS	₱1,128,701	₱39,904
COST OF SALES (Note 21)	273,745	29,519
GROSS PROFIT	854,956	10,385
OPERATING EXPENSES		
Excise taxes and royalties (Note 22)	47,112	–
General and administrative (Note 23)	266,908	198,645
Shipping and distribution (Note 24)	32,250	2,285
	346,270	200,930
SHARE IN NET INCOME (LOSS) OF INVESTMENT IN ASSOCIATES (Note 9)	52,777	(10,992)
FINANCE COSTS (Note 27)	(68,233)	(25,780)
FINANCE INCOME	11,185	2,101
OTHER INCOME (CHARGES) - net (Note 28)	21,785	(12,669)
INCOME (LOSS) BEFORE INCOME TAX	526,200	(237,885)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)		
Current	169,076	520
Deferred	(1,702)	(40,246)
	167,374	(39,726)
NET INCOME (LOSS)	358,826	(198,159)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Currency translation adjustment	(40,448)	20,212
Income tax effect	10,112	(5,053)
	(30,336)	15,159
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	506	885
TOTAL COMPREHENSIVE INCOME (LOSS)	₱328,996	(₱182,115)
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	₱153,849	(₱194,926)
Non-controlling interests in consolidated subsidiaries	204,977	(3,233)
	₱358,826	(₱198,159)
Total Comprehensive Income (Loss) Attributable To:		
Equity holders of the Parent Company	₱124,019	(₱178,882)
Non-controlling interests in consolidated subsidiaries	204,977	(3,233)
	₱328,996	(₱182,115)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 20)	₱0.0296	(₱0.0375)

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023 AND 2022
(Amounts in Thousands)

	Capital Stock (Note 19)	Additional Paid-in	Treasury Shares (Note 19)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive (Note 12)	Remeasurement Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total	NCI	Total Equity
Balances at December 31, 2022 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,968,213)	₱ (5,818)	₱ 35,535	₱ 133,898	₱ 6,040,354	₱ 10,850,743	₱ 544,899	₱ 11,395,642
Net income for the period	-	-	-	-	-	-	153,849	153,849	204,977	358,826
Other comprehensive income (loss) - net of tax	-	-	-	506	-	(30,336)	-	(29,830)	-	(29,830)
Total comprehensive income (loss) - net of tax	-	-	-	506	-	(30,336)	153,849	124,019	204,977	328,996
Acquisition of non-controlling interest in MHC	-	-	-	-	-	-	138,508	138,508	(328,508)	(192,000)
Balances at March 31, 2023 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,968,213)	₱ (5,312)	₱ 35,535	₱ 103,562	₱ 6,330,711	₱ 11,111,270	₱ 421,368	₱ 11,532,638
Balances at December 31, 2021 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,912,806)	₱ (5,565)	₱ 43,703	₱ 19,111	₱ 5,500,360	₱ 10,259,790	₱ 357,296	₱ 10,617,086
Net loss for the period	-	-	-	-	-	-	(194,926)	(194,926)	(3,233)	(198,159)
Other comprehensive income - net of tax	-	-	-	885	-	15,159	-	16,044	-	16,044
Total comprehensive income (loss) - net of tax	-	-	-	885	-	15,159	(194,926)	(178,882)	(3,233)	(182,115)
Purchase of treasury shares	-	-	(33,227)	-	-	-	-	(33,227)	-	(33,227)
Balances at March 31, 2022 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,946,033)	₱ (4,680)	₱ 43,703	₱ 34,270	₱ 5,305,434	₱ 10,047,681	₱ 354,063	₱ 10,401,744

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023 AND 2022
(Amounts in Thousands)

	2023	2022
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱526,200	(₱237,885)
Adjustments for:		
Depreciation, depletion and amortization (Note 26)	122,568	50,225
Interest expense (Note 27)	28,429	22,785
Unrealized foreign exchange losses (gains) - net	(49,371)	13,163
Share in net income (loss) of investment in associates (Note 9)	(52,777)	10,992
Retirement benefits costs (Note 16)	7,570	1,041
Accretion interest on provision for mine rehabilitation and decommissioning (Note 27)	38,042	2,809
Interest income	(11,185)	(2,101)
Accretion interest on security deposit under "Other noncurrent assets" (Note 27)	(237)	(237)
Operating income (loss) before changes in working capital	609,239	(139,208)
Decrease (increase) in:		
Trade and other receivables	145,792	(32,689)
Inventories	(117,450)	(51,445)
Prepayments and other current assets	15,329	(39,727)
Increase (decrease) in trade and other payables	(166,471)	21,983
Net cash generated from (used in) operations	486,439	(241,086)
Income taxes paid	-	(22,832)
Interest paid	(39,751)	(33,104)
Contributions (Note 16)	(5,727)	(5,727)
Interest received	8,952	788
Net cash flows from (used in) operating activities	449,913	(301,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	(286,374)	(76,068)
Decrease (increase) in:		
Advances to related parties	123,086	(267,580)
Other noncurrent assets	(222,167)	(49,740)
Payment of non-interest bearing liability for acquisition of an associate	(544,290)	-
Acquisition of non-controlling interest in MHC	(192,000)	-
Net cash flows used in investing activities	(1,121,745)	(393,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Loans	(105,225)	(12,647)
Lease Liabilities	(18,854)	(17,518)
Purchase of treasury shares (Note 19)	(92,525)	(33,227)
Increase (decrease) in:		
Advances from related parties	(692)	1,009
Net cash flows used in financing activities	(217,296)	(62,383)
NET DECREASE IN CASH	(885,218)	(757,732)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,800)	47,443
CASH AT BEGINNING OF PERIOD	3,180,585	3,821,177
CASH AT END OF PERIOD	₱2,289,657	₱3,110,888

See accompanying Notes to Unaudited Consolidated Financial Statements.

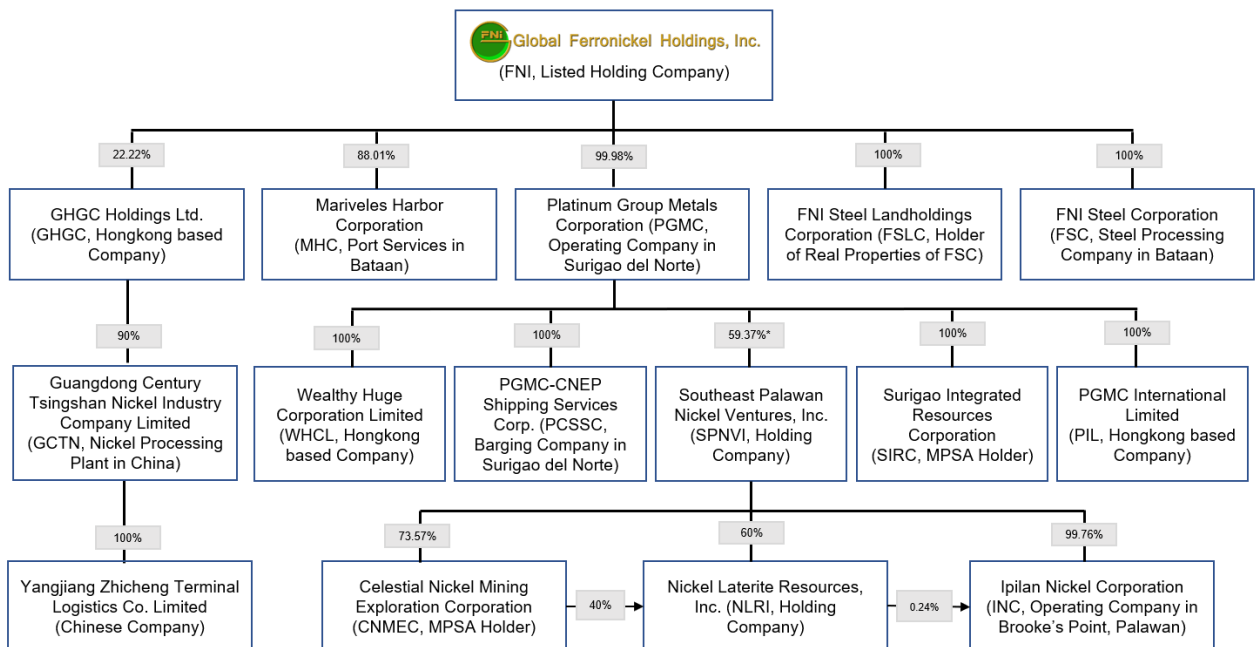
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (FNI; Parent Company) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligations of any corporation.

The Parent Company's principal office address is at Penthouse, Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City.

The following is the map of relationships of the Companies within the Group:



* 59.37% represents the indirect ownership of FNI on SPNVI's all classes of outstanding shares, preferred and common. FNI indirectly owns 99.44% of the outstanding common shares of SPNVI with voting power, through PGMC, its subsidiary.

The Parent Company's principal stockholders as at March 31, 2023 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	2,123,203,412	41.22%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,857,011,001	32.78%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	10.08%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.72%
SOHOTON SYNERGY, INC.	Filipino	233,156,767	04.49%
RED LION FORTUNE GROUP INC.	Filipino	57,588,866	01.11%
JOSEPH C. SY	Filipino	5,000,000	00.10%
DANTE R BRAVO	Filipino	3,261,053	00.06%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	2,283,106	00.04%
CARLO A. MATILAC	Filipino	1,733,226	00.03%
MARY BELLE D. BITUIN	Filipino	1,630,523	00.03%
SQUIRE SECURITIES, INC	Filipino	867,338	00.02%
CORSINO L. ODTOJAN	Filipino	785,860	00.01%
GEARY L. BARIAS	Filipino	785,860	00.01%
MARILOU C. CELZO	Filipino	678,479	00.01%
GO GEORGE L.	Filipino	539,153	00.01%

KUOK PHILIPPINES PROPERTIES INC.	Filipino	463,953	00.01%
RICHARD C. GIMENEZ	Filipino	430,738	00.01%
TONG GABRIEL	Filipino	417,805	00.01%
OCA GREGORIO S.	Filipino	415,193	00.01%
PAZ VENSON	Filipino	410,579	00.01%

The Subsidiaries

PGMC

PGMC is 99.98% owned by the Parent Company and was registered with the Philippine SEC on February 10, 1983. It is primarily engaged in the exploration, mining and exporting of nickel ore located in the municipality of Claver, Surigao del Norte. PGMC's principal office address is the same as that of the Parent Company.

PGMC has an Operating Agreement with SIRC for the exclusive right and privilege to undertake mining activities within the area covered by the Mineral Production Sharing Agreement (MPSA) No. 007-92-X.

Seasonality

The Cagdianao Mine produces and exports nickel ores from April to October of each year, typically the dry and minimal sea swell season at the mine site. During the rainy season, mining operations in the mine site are suspended and there is no loading of ore onto ships. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred during the second and third quarters compared to the first and fourth quarters.

SIRC

SIRC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the Philippine SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large-scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law. SIRC's principal office address is the same as that of the Parent Company.

SIRC is the holder of MPSA No. 007-92-X, redenominated as MPSA No. 007-92-X-SMR (Amended 1), located in Cagdianao, Claver, Surigao del Norte. The said MPSA was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042.

PCSSC

PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the Philippine SEC on June 4, 2013. Its primary purpose is to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft tank (LCT) or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description. PCSSC's principal office address is the same as that of the Parent Company.

PIL

PIL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on July 22, 2015 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to trade mineral products. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC. PIL's principal office address is at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong.

WHCL

WHCL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on March 1, 2021 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to facilitate relations with offshore customers, collection of accounts, availing of offshore banking services, and such other services as will aid PGMC's strategic growth in the ASEAN region. WHCL's principal office address is at Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong. WHCL has not started its operations as at March 31, 2023.

FSC

FSC is a wholly-owned subsidiary of the Parent Company and was registered with the Philippine SEC on August 5, 2019. Its primary purpose is to engage in the business of buying, selling, dealing, at wholesale and retail, importing and manufacturing iron, steel and other ferrous or non-ferrous metal products, to be processed either by melting, rolling, casting, or forging to produce it in the form of ingots, billets, sections, bars, plates, strips, rods, tubes, pipes and other such form in demand in the market or industry; to import materials, machinery and equipment needed to manufacture such finished products; and to lease real properties such as land and buildings as needed. FSC's principal office address is at Lot 9 3rd Floor AFAB Administration Building, Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines. As at March 31, 2023, FSC has not yet started its commercial operations.

FSLC

FSLC is a wholly-owned subsidiary of the Parent Company and was registered with the Philippine SEC on May 31, 2019. Its primary purpose is to engage in the business of managing real estate or interest therein, alone or in joint ventures with others and for this purpose acquire land by purchase, lease, donation, or otherwise, and to own, use, improve, subdivide, hold, administer, sell, convey, exchange, lease, mortgage, dispose of, work, develop, or otherwise deal in real property of any kind and interest or right therein and to construct, improve, manage, or otherwise dispose of buildings and other structures of whatever kind, together with their appurtenances whether for dwelling, commercial or industrial purposes. FSLC was incorporated to hold real properties of FSC. FSLC's principal office address is the same as that of the Parent Company.

MHC

MHC is a 64.03%-owned subsidiary of the Parent Company as at December 31, 2022 and was registered with the Philippine SEC on July 11, 2014 primarily to engage to carry on the business of providing and rendering general services incidental to and necessarily connected with the operation and management of port terminals in the Philippines, which will involve the handling of containers, bulk liquid and dry cargoes, bagging of fertilizers, refrigerated warehousing facilities, warehousing and stevedoring, lightering, towing, and/or storing of cargo handled by MHC to and from port terminals in the delivery from abroad and/or for shipment abroad as may be necessary or incidental thereto. MHC's principal office address is at Mariveles Multi-Purpose Terminal, Mariveles Diversion Road, Freeport Area of Bataan, Brgy. Sisiman, Mariveles, Bataan.

On March 2, 2023, the Parent Company acquired an additional 23.98% interest (equivalent to 1,000,000 common shares) in MHC from Seasia Logistics Philippines, Inc., an existing stockholder, for ₱192.0 million cash, resulting in 88.01% ownership in MHC (see Note 19). The increased shareholding in MHC gives FNI significant control over the operation of the Mariveles port.

SPNVI

SPNVI is 59.37% owned by the Parent Company through PGMC and was registered with the SEC on July 11, 2014. It is primarily to engage to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market, and to market, sell at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products. SPNVI's principal office address is the same as that of the Parent Company.

INC

SPNVI wholly owns INC, a company registered with the SEC on July 22, 2005, for the primary purpose to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the area of Sitio Iplan, Mambalot, Municipality of Brooke's Point, Province of Palawan, consisting of 2,835 hectares and covered by MPSA No. 017-93-IV, Amended 2000, by the Government of the Republic of the Philippines through the Secretary of the Department of Environment and Natural Resources (DENR). INC's principal office address is the same as that of the Parent Company.

CNMEC

SPNVI directly owns 73.57% of CNMEC, a company registered with the SEC on December 17, 1979, for the primary purpose is to search for, prospect, explore, develop ores and mineral, to locate mining claims within the Philippines and record the same according to mining laws, and to purchase, take on lease, exchange or otherwise acquire mines, workings, mineral lands, mining claims, mineral, water and timer rights, foreshore leases, licenses concessions and grants, and other effects whatsoever which the Company may from time to time deem proper to be acquired for any of its purposes. CNMEC's principal office address is the same as that of the Parent Company.

NLRI

SPNVI directly owns 60% of NLRI, a company registered with SEC on July 22, 2005, for the primary purpose to subscribe for, purchase or otherwise acquire, obtain interests in, own, hold, pledge, hypothecate, assign, sell, exchange or otherwise dispose of and generally deal in and with personal properties and securities of every kind and description of any government, municipality or other political subdivision or agency, corporation, association or entity; to exercise any and all interest in respect of any such securities; and to promote, manage, participate in and act as agent for any purchasing or selling syndicate or group of investors and otherwise to take part in and assist, in any legal matter for the purchase and sale of any securities as may be allowed by law, without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities. NLRI's principal office address is the same as that of the Parent Company.

The Associates

GHGC

GHGC is 22.22% owned by the Parent Company and was incorporated in the British Virgin Islands (BVI) on April 14, 2011 whose principal activity is investment holding. The registered office of GHGC is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. It engages in trading nickel ore and other related mineral products.

GHGC owns 90% shareholding in Guangdong Century Tsingshan Nickel Industry Company Limited (GCTN). GCTN is a nickel alloy enterprise in China that is processing laterite nickel ore and is selling nickel pig iron. It operates a 33-hectare area with more than 600 employees. GCTN is one of the most competitive smelters with Rotary kiln-electric furnace (RKEF) technology. The rotary kiln can feed up to four (4) furnaces and is estimated to produce about 28,000 tons of pure nickel at its optimum. GCTN's wholly owned subsidiary is Yangjiang Zhicheng Terminal Logistics Co. Limited, located near Yangjiang Harbour, Hailing Cove area.

2. Basis of Preparation, Statement of Compliance, Basis of Consolidation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The accompanying unaudited interim consolidated financial statements of the Group as at March 31, 2023 and for the three months period ended March 31, 2023 and 2022 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, and on a historical cost basis, except for the financial asset at fair value through other comprehensive income (FVOCI), which are carried at fair value. The unaudited interim consolidated financial statements are presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and subsidiaries is Philippine peso, except for PIL and WHCL whose functional currency is Hong Kong Dollar (HK\$). All values are rounded to the nearest thousand (000), except number of shares, per share data and as indicated. Further, the unaudited interim consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the audited Group's annual consolidated financial statements as at December 31, 2022.

Statement of Compliance

The accompanying unaudited interim consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS, PAS, and Standard Interpretation Committee/ Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements.

Basis of Consolidation

The unaudited interim consolidated financial statements include the balances of the Parent Company and its subsidiaries and equity share in net income or losses of associates, after eliminating significant intercompany balances and transactions.

<i>Subsidiaries and Associates</i>	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2023	December 31, 2022
PGMC	Philippines	Mining	99.98%	99.98%
SIRC ⁽¹⁾	Philippines	Mining	99.98%	99.98%
PCSSC ⁽¹⁾	Philippines	Services	99.98%	99.98%
PIL ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
WHCL ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
FSLC	Philippines	Landholdings	100.00%	100.00%
FSC	Philippines	Manufacturing	100.00%	100.00%
MHC ⁽²⁾	Philippines	Port Operations	64.03%	64.03%
SPNVI ⁽³⁾	Philippines	Holding/Mining	59.37%	59.37%
INC ⁽⁴⁾	Philippines	Holding/Mining	59.37%	59.37%
CNMEC ⁽⁴⁾	Philippines	Holding/Mining	59.37%	59.37%
NLRI ⁽⁴⁾	Philippines	Holding/Mining	59.37%	59.37%
<i>Associates</i>				
GHGC	British Virgin Islands	Holding	22.22%	22.22%
GCTN	China	Nickel Processing	20.00%	20.00%

(1) Indirect ownership through PGMC.

(2) On March 2, 2023, the Parent Company's equity interest in MHC increased from 64.03% to 88.01% as a result of the purchase of additional interest from Seasia Logistics Philippines, Inc., an existing stockholder.

(3) This represents the ownership of the Parent Company on SPNVI's all classes of outstanding shares, preferred and common. The Parent Company indirectly owns 99.44% of the outstanding shares of SPNVI with voting power as at March 31, 2023 and December 31, 2022.

(4) This represents the indirect ownership of the Parent Company to the subsidiaries of SPNVI.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform and consistent accounting policies. When necessary, adjustments are made to the stand-alone financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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 starting January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. The amendments did not have any impact on the consolidated financial statements of the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

The amendments have no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

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*

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any changes in estimates are reflected in the unaudited interim consolidated financial statements as they become reasonably determinable.

Accounting 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 outcomes can differ from these estimates.

Judgments

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

Estimates and Assumptions

The Group based its assumptions and estimates on parameters available when the unaudited interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Cash and Cash Equivalents

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	₱1,606	₱1,873
Cash with banks	2,266,285	3,156,946
Short-term cash investments	21,766	21,766
	<u>₱2,289,657</u>	<u>₱3,180,585</u>

5. Trade and Other Receivables

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade	₱1,816,606	₱1,999,403
Advances to:		
Contractors	434,864	401,973
Officers, employees and others	46,582	41,555
Income tax receivable	87,833	90,746
	<u>2,387,885</u>	<u>2,533,677</u>
Less allowance for expected credit losses (ECL)	289,286	289,286
	<u>₱2,098,599</u>	<u>₱2,244,391</u>

There was no provision for ECL on trade and other receivables for the periods ended March 31, 2023 and 2022.

6. Inventories

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beneficiated nickel ore	₱362,839	₱208,381
Materials and supplies	88,125	83,912
	<u>₱450,964</u>	<u>₱292,293</u>

Beneficiated nickel ore was valued at cost while materials and supplies which consist of tires, spare parts, and fuel and lubricants were valued at net realizable value.

No provision for inventory losses was recognized for the periods ended March 31, 2023 and 2022. The balance of the allowance for inventory losses on materials and supplies amounted to ₱11.6 million as at March 31, 2023 and December 31, 2022.

7. Prepayments and Other Current Assets

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Prepaid insurance	₱14,590	₱14,143
Creditable withholding taxes (CWT)	9,713	9,008
Advances to suppliers	9,421	7,431
Prepaid rent	5,162	4,865
Prepaid taxes and licenses	1,645	16,918
Others	3,810	7,060
	44,341	59,425
Less allowance for impairment losses	3,684	3,684
	₱40,657	₱55,741

No provision for impairment losses on other current assets was recognized in 2023 and 2022.

8. Property and Equipment

As at March 31, 2023 and December 31, 2022, property and equipment amounted to ₱6,023.2 million and ₱5,904.2 million, respectively. During the three-month period ended March 31, 2023 and 2022, the Group acquired assets with a cost of ₱285.2 million and ₱79.4 million, respectively, including a parcel of land and construction in-progress.

Depreciation and depletion expenses for the three-month period ended March 31, 2023 and 2022 amounted to ₱162.4 million and ₱85.7 million, respectively. As at March 31, 2023 and December 31, 2022, total accumulated depreciation and depletion amounted to ₱3,471.4 million and ₱3,346.4 million, respectively. Depreciation and depletion expenses directly attributable to production amounting to ₱39.8 million and ₱36.8 million for the three months ended March 31, 2023 and 2022, respectively, were charged to beneficiated nickel ore inventory.

The property and equipment includes right-of-use assets amounted to ₱794.9 million and ₱819.4 million as at March 31, 2023 and December 31, 2022, respectively. As at March 31, 2023 and December 31, 2022, accumulated depreciation of the right-of-use assets amounted to ₱220.6 million and ₱197.7 million, respectively. Depreciation expense of right-of-use assets for the three-month period ended March 31, 2023 and 2022 amounted to ₱22.9 million and ₱19.8 million, respectively.

No property and equipment were pledged as at March 31, 2023 and December 31, 2022.

9. Investment in Associates

As at March 31, 2023 and December 31, 2022, investment in associates amounted to ₱4,361.3 million and ₱4,308.5 million, respectively.

The Group recognized total share in net income of investment in associates amounted to ₱52.8 million for the three months ended March 31, 2023 and share in net loss of investment in associates amounted to ₱11.0 million for the same period last year.

10. Mining Rights

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	279,196	270,921
Amortization	–	8,275
Ending balance	279,196	279,196
Net book value	₱117,304	₱117,304

No provision for impairment losses on mining rights was recognized for the periods ended March 31, 2023 and 2022.

11. Mine Exploration Costs

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱179,030	₱147,299
Exploration expenditures incurred	–	31,731
Ending balance	₱179,030	₱179,030

The remaining mine exploration costs as at March 31, 2023 pertains to PGMC's CAGA 5, 6, 7 and limestone areas are still under exploration and evaluation phase.

12. Other Noncurrent Assets

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to suppliers	₱570,516	₱380,831
Input VAT	567,308	529,349
Mine rehabilitation fund (MRF)	378,506	378,152
Restricted cash	82,228	84,311
Miscellaneous deposit	68,849	68,849
Intangible asset	28,639	30,805
Security deposits	24,223	23,986
Financial asset at FVOCI	3,542	3,036
Computer software	1,567	682
Others	10,218	12,685
	1,735,596	1,512,686
Less allowance for impairment losses	195,986	195,986
	₱1,539,610	₱1,316,700

No dividend income was earned by the Group for the periods ended March 31, 2023 and 2022 from the financial asset at FVOCI.

13. Trade and Other Payables

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade	₱137,818	₱337,698
Contract liabilities	485,246	247,992
Accrued expenses and taxes	107,253	335,360
Dividends payable	20,238	20,238
Nontrade	9,623	10,624
	₱760,178	₱951,912

Details of the accrued expenses and taxes are summarized below:

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Excise taxes and royalties payable	₱50,678	₱140,761
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	19,358	62,946
Business and other taxes	10,432	14,217
Accrued liabilities	8,831	89,386
Accrued payroll	2,825	15,423
Accrued professional fees	552	1,442
Others	14,577	11,185
	₱107,253	₱335,360

14. Loans Payable

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) - Long-term loan	₱720,889	₱841,800
Less current portion: TCB	202,339	315,675
Noncurrent portion	₱518,550	₱526,125

Movements in the carrying value of loans payable are as follows:

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱841,800	₱899,256
Payments	(105,225)	(137,646)
Effect of changes in foreign currency exchange rates	(15,686)	80,190
Ending balance	₱720,889	₱841,800

Long term loans

TCB

On July 29, 2021, the Group was granted by TCB through PGMC an Omnibus Line for Loan Facility in the aggregate principal amount not exceeding US\$15.0 million for general corporate purposes. The Omnibus Line is comprised of Revolving loan amounting to US\$5.0 million and Term loan amounting to US\$15.0 million with the following terms:

- Revolving loan shall be repaid at the maturity date of each loan but the tenor shall not exceed 180 days

- Term loan shall be repaid in four semi-annual installment repayments. First installment commences on the date falling 18 months from the first drawdown date as follows:

Months from the first drawdown date	Repayment installment from outstanding principal at the end of availability period (%)
18	12.50%
24	12.50%
30	12.50%
36	62.50%

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of 3.25% per annum. The reference rate is the applicable London Interbank Offered Rates (LIBOR) displayed on the Bloomberg and Reuters' page for three (3) month yield as of approximately 11:15 am on the interest rate setting date as stated in the loan agreement.

The other conditions of the agreement are as follows:

- The Group shall maintain a waterfall account with TCB wherein all amounts collected from the buyers of nickel ore shall be deposited.
- The security required by TCB shall consist of only three (3) kinds, as follows:
 - Accounts receivables from PGMC's customers or clients or Import letters of credit (LC) issued in favor of PGMC by its customers and clients. Provided, that the aggregate value, in combination, shall at least twice (2x) the amount of the actual drawdown
 - Demand Deposit Account which shall be opened and set-up by the collateral provider acceptable to TCB (in this case PGMC International Limited) amounting to at least 10% of the drawdown. The amount in said account maybe reduced proportionately as PGMC pays the principal and its interest by express agreement of TCB and PGMC.
 - Guarantee issued by any individual, juridical person such as corporations or any combination thereof that is acceptable to TCB.
- TCB is irrevocably appointed as the collecting agent for the account receivables from PGMC's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of PGMC. All the amount collected by TCB shall be deposited in the Waterfall Account of PGMC.
- The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
- If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid amount/s at the rate of 18% per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank.

On July 30, 2021, the Group made a drawdown amounting to US\$15.0 million of the loan.

Interest expense related to the TCB loan amounted to ₱15.6 million and ₱7.6 million for the periods ended March 31, 2023 and 2022, respectively.

Bank of Commerce (BOC)

On May 10, 2017, the Group through MHC entered into a loan agreement with BOC to acquire additional financing to support the construction of Phase 1 of the dry bulk terminal facilities in Mariveles, Bataan. Repayments of the loan will be in equal semi-annual installments for five (5) years and bear an annual interest rate ranging from 7.12% to 7.21% per annum. MHC has fully settled its loan with BOC on May 29, 2022.

The loan is secured by MHC's shares of stock as collateral and a continuing suretyship from Seasia Logistics Philippines, Inc. Part of the agreement states that MHC shall not participate in or enter into any merger or consolidation, sell, lease mortgage or otherwise dispose of all or substantially all of its assets and voluntarily suspend its business operations or dissolve its affairs, and declare or pay dividends to its shareholders (other than dividends payable solely in shares of capital stock) if payment of any sum due to BOC is in arrears. In 2022, MHC settled in full its loans from BOC.

Interest expense related to the BOC loan amounted to nil and ₱0.6 million for the periods ended March 31, 2023 and 2022, respectively.

Short term loans

BDO Unibank, Inc. (BDO)

The Group is granted annually by BDO a revolving US\$20.0 million Export Packing Credit Line for working capital purposes. No drawdowns were made for the periods ended March 31, 2023 and 2022.

UnionBank of the Philippines (UBP)

On May 20, 2021 and June 10, 2021, the Group through MHC entered into short-term loans for ₱50.0 million and ₱40.0 million, respectively. These are payable in one (1) year, bear an interest rate of 6.50% per annum and are intended for working capital purposes. The short-term loans were renewed for another one (1) year with an interest rate of 6.5% and 6.75% per annum. Interest expense related to the UBP loan amounted to nil and ₱1.5 million for the periods ended March 31, 2023 and 2022, respectively. The short-term loans with UBP were fully settled on July 29, 2022.

The Group has complied with the terms of the loans as at March 31, 2023 and December 31, 2022.

15. 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 demolition of infrastructures, removal of residual materials and remediation of disturbed areas.

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱261,039	₱305,414
Accretion interest	1,651	11,234
Additions	–	63,844
Effect of change in estimate	–	(119,453)
Ending balance	₱262,690	₱261,039

16. Retirement Obligation

The FNI Group of Companies Multiemployer Retirement Plan (the Retirement Plan) is jointly established by PGMC, PCSSC, INC and the Parent Company, and other affiliate companies that may adopt the said plan. The Retirement Plan is a non-contributory defined benefit retirement plan covering all of the Group's regular employees effective January 1, 2018.

The funding of the Retirement Plan shall be determined by the actuarial advisor and payment of the benefits thereunder shall be provided through the medium of a fund held by the Trustee Bank under the Trust Agreement.

There was no plan termination, curtailment or settlement as at March 31, 2023 and December 31, 2022.

The latest actuarial valuation report of the retirement plan is as at December 31, 2022.

As at March 31, 2023, the Group's contribution to the pension fund amounted to ₱5.7 million. The Group does not currently employ any asset-liability matching.

As at March 31, 2023 and December 31, 2022, the retirement plan asset, net of retirement obligation, amounted to ₱14.4 million and ₱16.8 million, respectively. The current service cost amounted to ₱7.6 million and ₱3.5 million for the three months period ended March 31, 2023 and 2022, respectively. The interest cost on retirement obligation amounted to ₱1.4 million and ₱1.0 million for the three months period ended March 31, 2023 and 2022, respectively. The interest income on plan assets amounted to ₱2.2 million and ₱1.3 million for the three months period ended March 31, 2023 and 2022, respectively.

17. Non-interest Bearing and Other Current Liabilities

Non-interest bearing liability

On September 30, 2022, as a result of the acquisition of GCTN, the Group recognized a non-interest bearing liability to the Seller amounting to US\$51.8 million which will be settled through annual installment payment amounting to US\$10.0 million starting 2023 until fully paid.

Details of the non-interest bearing liability to the Seller is as follows:

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the date of acquisition, undiscounted	₱2,947,352	₱2,947,352
Discount on non-interest bearing liability:		
Day 1 gain	469,174	504,273
Accretion of interest	(36,391)	(35,099)
Ending balance	432,783	469,174
Payment	(544,290)	–
Net carrying value	1,970,279	2,478,178
Effect of changes in foreign currency exchange rates	(42,496)	(42,496)
Ending balance	1,927,783	2,435,682
Less: Current portion	597,591	561,200
Non-interest bearing liability - net of current portion	₱1,330,192	₱1,874,482

Other current liabilities

As at March 31, 2023 and December 31, 2022, the Group has payable to previous stockholders of Celestial Nickel Mining Exploration Corporation (CNMEC) and Brooks Nickel Ventures Inc. (BNVI), as follows:

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Previous stockholders of CNMEC	₱285,911	₱378,436
Payable to BNVI	193,743	193,743
Noncurrent portion	₱479,654	₱572,179

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱572,179	₱521,968
Additions	–	28,177
Payments	(92,525)	(85,446)
Effect of changes in foreign currency exchange rates	–	107,480
Ending balance	₱479,654	₱572,179

18. Leases

The Group has lease contracts for various properties and equipment used in its operations and office spaces. Leases of office spaces generally have lease terms between three (3) and thirteen (13) years while the equipment has a lease term of two (2) years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets without approval of lessor.

The Group also has certain lease of office spaces and machineries and equipment with lease terms of twelve (12) months or less. The Group applies the "short-term lease" recognition exemptions for these leases.

The lease liabilities as at March 31, 2023 and December 31, 2022, discounted using incremental borrowing rate are as follows:

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Lease liabilities	₱829,485	₱835,585
Less current portion	61,376	57,823
Noncurrent portion	₱768,109	₱777,762

The rollforward analysis of lease liabilities follows:

Amount in thousands	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱835,585	₱824,013
Interest expense	12,754	51,538
Payments	(18,854)	(111,721)
Modification	–	71,755
Ending balance	₱829,485	₱835,585

19. Equity

Capital Stock

The Parent Company has 11,957,161,906 authorized shares at ₱1.05 par value as at March 31, 2023 and December 31, 2022. Out of the total authorized shares of the Parent Company, 6,072,357,151 shares are issued amounting to ₱6,375,975 as at March 31, 2023 and December 31, 2022.

The Parent Company has only one (1) class of common shares which do not carry any right to fixed income.

NCI

March 31, 2023

	SPNVI	MHC	PGMC	Total
Percentage of ownership	40.63%	11.99%	0.02%	
Acquisition of SPNVI and MHC	6,503	429,936	-	436,439
Acquisition of NCI	-	(328,508)	-	(328,508)
Issuance of capital stock	-	-	446	446
Retained earnings, beginning	41,586	65,991	437	108,014
Total comprehensive income (loss) attributable to NCI	209,457	(4,452)	(28)	204,977
Total	257,546	162,967	855	421,368

December 31, 2022

	SPNVI	MHC	PGMC	Total
Percentage of ownership	40.63%	35.97%	0.02%	
Acquisition of SPNVI and MHC, as restated	6,503	429,936	-	436,439
Issuance of capital stock	-	-	446	446
Retained earnings, beginning	-	-	211	211
Total comprehensive income attributable to NCI	41,586	191,886	282	233,754
Cash dividend	-	(125,895)	(56)	(125,951)
Total	48,089	495,927	883	544,899

Material NCI

As at March 31, 2023 and December 31, 2022, accumulated balance of material NCI amounted to ₱420.5 million and ₱544.0 million, respectively, which represents 59.37% equity interest in SPNVI and 35.97% equity interest in MHC. Net profit allocated to material NCI amounted to ₱205.0 million for the three months ended March 31, 2023 and ₱233.5 million for the year ended December 31, 2022.

Acquisition of NCI

On March 2, 2023, the Parent Company acquired an additional 23.98% interest in MHC from Seasia Logistics Philippines, Inc. for ₱192.0 million, resulting in 88.01% ownership interest in the subsidiary. The effect on equity for the acquisition follows:

Consideration paid for the additional interest acquired	₱192,000
Acquisition of NCI	(328,508)
Retained earnings	₱136,508

Treasury Stock

The Parent Company has 882,571,322 shares amounting to ₱1,968.2 million in treasury as at March 31, 2023 and December 31, 2022.

For the periods ended March 31, 2023 and 2022, the Parent Company purchased a total of nil and 10,440,000 common shares at an average price of ₱3.18 per share, respectively.

20. Earnings Per Share

The following reflects the income and share data used in the earnings (loss) per share computation for the three months period ended March 31:

	2023	2022
	(Unaudited)	
Net income (loss) attributable to equity holders of the Parent Company (amounts in thousands)	₱153,849	(₱194,926)
Number of shares:		
Common shares outstanding at beginning of the year	5,189,785,829	5,210,312,829
Effect of buyback during the period	–	(8,521,484)
Adjusted weighted average number of common shares outstanding	5,189,785,829	5,201,791,345
Basic/Diluted Earnings (Loss) per Share	₱0.0296	(₱0.0375)

As at March 31, 2023 and 2022, there are no potentially dilutive common shares.

21. Cost of Sales

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Contract hire	₱114,907	₱11,336
Depreciation and depletion (see Note 26)	74,951	11,745
Personnel costs (see Note 25)	44,976	1,643
Fuel, oil and lubricants	7,638	1,952
Manning services	6,256	–
Community relations	5,775	–
Operation overhead	5,158	73
Assaying and laboratory	3,728	–
Environmental protection costs	3,237	–
Others	7,119	2,770
	₱273,745	₱29,519

22. Excise Taxes and Royalties

Excise taxes amounted to ₱47.1 million and nil for the three months period ended March 31, 2023 and 2022, respectively applicable to the Palawan mining operations.

23. General and Administrative

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Personnel costs (see Note 25)	₱64,189	₱56,154
Taxes and licenses	62,392	29,864
Depreciation and amortization (see Note 26)	47,617	38,480
Outside services	41,297	20,192
Marketing and entertainment	13,085	12,435
Consultancy fees	10,559	10,918
Travel and transportation	6,578	3,405
Repairs and maintenance	5,667	9,093
Fuel, oil and lubricants	2,466	3,329
SEC and listing fees	1,596	–
Power and utilities	1,470	572
Communication	1,292	1,269
Membership and subscription	1,179	2,214
Other charges	7,521	10,720
	₱266,908	₱198,645

24. Shipping and Distribution

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Stevedoring charges and shipping expenses	₱30,887	₱–
Fuel, oil and lubricants	493	1,776
Supplies	449	52
Personnel costs (see Note 25)	301	340
Repairs and maintenance and others	87	87
Government fees	33	30
	₱32,250	₱2,285

25. Personnel Costs

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Salaries and wages	₱91,895	₱51,090
Retirement benefits costs (see Note 16)	7,570	6,529
Other employee benefits	10,001	6,006
	₱109,466	₱58,137

Other employee benefits are composed of various benefits given to employees that are individually immaterial.

The personnel costs were distributed as follows:

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Cost of sales (see Note 21)	₱44,976	₱1,643
General and administrative (see Note 23)	64,189	56,154
Shipping and distribution (see Note 24)	301	340
	₱109,466	₱58,137

26. Depreciation, Depletion and Amortization

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Cost of sales (see Note 21)	₱74,951	₱11,745
General and administrative (see Note 23)	47,617	38,480
	₱122,568	₱50,225

27. Finance Costs

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Interest expense	₱28,429	₱22,785
Accretion interest on non-interest bearing liability	36,391	-
Accretion interest on provision for mine rehabilitation and decommissioning	1,651	2,809
Bank charges	1,762	186
	₱68,233	₱25,780

28. Other Income (Charges) - net

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Foreign exchange gains (losses) - net	₱28,375	(₱12,699)
Demurrage - net	(6,736)	-
Others	146	-
	₱21,785	(₱12,699)

Breakdown of net foreign exchange gains (losses) is as follows:

Amount in thousands	For the three months period ended March 31	
	2023	2022
	(Unaudited)	
Net realized foreign exchange gains (losses)	(P59,832)	P111
Unrealized foreign exchange gains (losses) on:		
Cash and cash equivalents	33,685	4,627
Trade and other receivables	24,148	32
Other noncurrent assets	-	282
Loans payable	15,686	(17,790)
Trade and other payables	14,688	69
	<u>P28,375</u>	<u>(P12,669)</u>

29. Related Party Disclosures

Set out below are the Group's transactions with related parties for the three-month periods ended March 31, 2023 and 2022, including the corresponding assets and liabilities arising from the said transactions as at March 31, 2023 (Unaudited) and December 31, 2022 (Audited):

Amount in thousands			Advances to	Advances from	Non-interest		
Category	Amount/Volume	Sale of Ore	related parties	related parties	bearing liability	Terms	Conditions
<i>Stockholders</i>							
March 31, 2023	P-	P-	P82,367	P-	P1,927,783	On demand; noninterest-bearing; collectible or payable in cash	Secured; with guarantee
December 31, 2022	P111,827	-	P205,498	P-	P2,435,682		
<i>Affiliates with common officers, directors and stockholders</i>							
March 31, 2023	45	-	8,474	226,991	-	On demand; noninterest-bearing; collectible or payable in cash	Secured; with guarantee
December 31, 2022	892	-	8,429	227,683	-		
<i>Associate</i>							
March 31, 2023	-	742,139	-	-	-	On demand; noninterest-bearing; collectible in cash	Secured; with guarantee
December 31, 2022	2,146,342	2,146,342	-	-	-		
Total		P742,139	P90,841	P226,991	P1,927,783		
Total		P2,146,342	P213,927	P227,683	P2,435,682		

The summary of significant transactions and account balances with related parties are as follows:

- a. GCTN entered into ore supply sales agreements with PGMC for the purchase of nickel ore amounting to P742.1 million and nil for the periods ended March 31, 2023 and 2022, respectively.
- b. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The compensation of the key management personnel of the Group for the three months period ended March 31, 2023 and 2022 amounted to P15.6 million and P16.1 million, respectively.

30. Income Taxes

The current provision for income tax represents regular corporate income tax (RCIT) and special corporate income tax (5% tax on gross income) for the periods ended March 31, 2023 and 2022. The Group has availed of the itemized deductions method in claiming its deductions for the three months ended March 31, 2023 and 2022.

As at March 31, 2023 and December 31, 2022, the Group's net deferred income tax assets amounted to ₱149.8 million and ₱143.2 million, respectively. As at March 31, 2023 and December 31, 2022, the Group's net deferred income tax liabilities amounted to ₱125.9 million and ₱131.2 million, respectively.

31. Financial Instruments

The following methods 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, Trade receivables, and Advances to contractors under "Trade and other receivables" and Trade and other payables

The carrying amounts of cash and cash equivalents, trade receivables, and advances to contractors under "Trade and other receivables" and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted cash under "Other noncurrent assets"

The carrying amounts approximate their fair values since these are restricted cash in banks which earn interest based on prevailing market rates repriced monthly.

Financial asset at FVOCI under "Other noncurrent assets"

The fair value of quoted equity instrument is determined by reference to the market closing quotes at the end of the reporting period.

Advances to and from related parties and Payable to previous stockholders of CNMEC and BNVI under "Other noncurrent liabilities"

Advances to and from related parties and payable to previous stockholders of CNMEC and BNVI do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

Loans Payable

The fair value of loans payable is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of loans and borrowings, except for variable-rate borrowings which are repriced quarterly.

Lease Liabilities

The carrying amount of lease liabilities are carried at present value due to the long-term nature of the account. The fair value of lease liabilities was computed by discounting the expected cash flows within effective interest rate ranging from 2.5% to 7.3%. The computed fair value approximates its carrying amount.

Fair Value Hierarchy

As at March 31, 2023 and December 31, 2022, the Group's financial asset at FVOCI is classified under Level 1 and its loans payable and lease liabilities are classified under Level 3.

There were no transfers between levels of fair value measurement as at March 31, 2023 and December 31, 2022.

32. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker (the BOD) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

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 Group conducts the majority of its business activities in the following areas:

- The mining segment is engaged in the exploration, mining and exporting of nickel saprolite and limonite ore;
- The services segment is engaged in the chartering out of LCTs by PCSSC to PGMC and INC and port services rendered by MHC to its customers; and
- The manufacturing segment includes FSC which is engaged in the manufacturing of iron steel bars and FSLC which is engaged in holding the real properties of FSC.

The Group's core business is the sale of nickel ore to external customers which accounted for 98.7% of the Group's total revenue. Accordingly, the Group's mining segment operates in two (2) geographical locations, Philippines and Hong Kong. The Group's manufacturing segment is incorporated to build a rebar steel rolling plant in Bataan, Philippines. Noncurrent assets of the Group comprising property and equipment, mine exploration costs, mining rights, and other noncurrent assets are located in the Philippines, Hong Kong and China.

The Group has revenues from external customers as follows:

Amount in thousands	For the three months period ended March 31	
	2023	2022
Country of Domicile	(Unaudited)	
China	₱1,113,662	₱-
Local	15,039	39,904
	₱1,128,701	₱39,904

The revenue information above is based on the location of the customers. The local customers include MHC's revenue from Philcement Corporation, which is an Authority of the Freeport Area of Bataan (AFAB)-registered entity.

Financial information on the operation of the various business segments are as follows:

Amount in thousands	March 31, 2023 (Unaudited)				
	Mining	Services	Manufacturing	Elimination	Total
External customers	₱1,113,662	₱15,039	₱-	₱-	₱1,128,701
Intersegment revenues	-	21,745	1,200	(22,945)	-
Total revenues	1,113,662	36,784	1,200	(22,945)	1,128,701
Cost of sales	228,888	44,857	-	-	273,745
Excise taxes and royalties	47,112	-	-	-	47,112
Shipping and distribution	53,995	-	-	(21,745)	32,250
Segment operating earnings	783,667	(8,073)	1,200	(1,200)	775,594
General and administrative	254,036	11,177	1,695	-	266,908
Finance income	11,140	(6,172)	-	-	(68,233)
Finance costs	(62,061)	29	16	-	11,185
Share in net income of investment in associates	52,777	-	-	-	52,777
Other income (charges) - net	35,355	-	5,396	(18,966)	21,785
Provision for income tax - net	166,577	(53)	850	-	167,374
Net income (loss)	400,265	(25,340)	4,067	(20,166)	358,826
Net income (loss) attributable to NCI	209,429	(4,452)	-	-	204,977
Net income (loss) attributable to equity holders of FNI	₱190,836	(₱20,888)	₱4,067	(₱20,166)	₱153,849
Segment assets	₱32,612,892	₱1,905,802	₱1,020,542	(₱18,333,642)	₱17,205,594
Deferred tax assets - net	151,147	2,298	(3,677)	-	149,768
Total assets	₱32,764,039	₱1,908,100	₱1,016,865	(₱18,333,642)	₱17,355,362
Segment liabilities	₱9,836,516	₱525,373	₱963,040	(₱5,633,384)	₱5,691,545
Total liabilities	₱9,836,516	₱656,553	₱963,040	(5,633,384)	5,822,724
Capital expenditures	₱29,681	₱12,496	₱243,002	₱-	₱285,179
Depreciation and depletion	₱125,285	₱36,999	₱131	₱-	₱162,415

Amount in thousands	March 31, 2022 (Unaudited)				
	Mining	Service	Manufacturing	Elimination	Total
External customers	P-	P39,904	P-	P-	P39,904
Intersegment revenues	-	-	-	-	-
Total revenues	-	39,904	-	-	39,904
Cost of sales	-	29,519	-	-	25,519
Excise taxes and royalties	-	-	-	-	-
Shipping and distribution	2,285	-	-	-	2,285
Segment operating earnings	(2,285)	10,385	-	-	8,100
General and administrative	160,148	35,991	2,506	-	198,645
Finance income	2,075	19	7	-	2,101
Finance costs	(17,790)	(7,990)	-	-	(25,780)
Share in net loss of investment in associates	(10,992)	-	-	-	(10,992)
Other charges - net	(12,669)	-	-	-	(12,669)
Provision for (benefit from) income tax	(40,282)	235	321	-	(39,726)
Net loss attributable to equity holders of GFHI	(P161,492)	(P30,614)	(P2,820)	P-	(P194,926)
Segment assets	P23,508,888	P1,766,729	P451,704	(P12,173,601)	P13,553,720
Deferred tax assets - net	143,984	5,019	(3,698)	(14,017)	131,288
Total assets	P23,652,872	P1,771,748	P448,006	(P12,187,618)	P13,685,008
Segment liabilities	P3,412,623	P559,457	P387,785	(P1,076,601)	P3,283,264
Capital expenditures	P60,980	P15,276	P4,274	(P1,102)	P79,428
Depreciation and depletion	P63,755	P23,147	P135	P-	P87,037

Amount in thousands	December 31, 2022 (Audited)				
	Mining	Services	Manufacturing	Elimination	Total
Segment assets	P32,246,473	P1,990,089	P804,598	(P7,211,614)	P17,829,546
Deferred tax assets - net	189,552	2,298	-	(48,635)	143,215
Total assets	P32,436,025	P1,992,387	P804,598	(P7,260,249)	P17,972,761
Segment liabilities	P9,676,392	P719,288	P746,501	(P4,565,062)	P6,577,119
Capital expenditures	P344,664	P29,754	P236,904	P-	P611,322