CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Century Peak Holdings Corporation and Subsidiaries
17/F Philamlife Tower
8767 Paseo De Roxas, Barangay Bel-Air
Makati City, Philippines

Opinion

We have audited the consolidated financial statements of Century Peak Holdings Corporation and 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 (loss), 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, comprising a summary of significant accounting policies and other explanatory information.

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 (PFRS).

Basis for Opinion

We conducted our audits in accordance with the Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' 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 the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Key Audit Matters

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

Capital Expenditures of the Cement Plant Project (the "Project") (P7.36 billion)

Refer to Note 8 to the consolidated financial statements. The Group's accounting policy with respect to the capitalization of property, plant and equipment is included in Note 3, *Significant Accounting Policies*, to the consolidated financial statements.

The risk: The Group is currently constructing its cement plant in Cebu. During 2022, total expenditures for the Project amounted to P2.92 billion. As at December 31, 2022, the carrying amount of the Project is P7.36 billion. The significant volume of transactions related to the construction together with the use of manual recording of expenditures increases the susceptibility of errors in financial reporting. This includes the appropriate capitalization of expenditures in accordance with the recognition criteria under Philippine Accounting Standard 16, *Property, Plant and Equipment.*

Our response: Our audit procedures included, among others: assessment of the design and effectiveness of internal controls in respect with the asset capitalization; assessment of the existence and progress of construction activities through conduct of site visits, external confirmation with a major supplier and testing of capitalized expenditures on a sampling basis by vouching documents such as invoices, contracts, delivery receipts, official receipts and completion report.

Recoverable Value of Explored Mineral Resources (P1.42 billion)

Refer to Note 9 to the consolidated financial statements. The Group's accounting policy with respect to the explored mineral resources is included in Note 3, *Significant Accounting Policies*, to the consolidated financial statements.

The risk: The assessment of the recoverable value of explored mineral resources requires estimation and assumptions on the quantity of nickel ores that can be extracted from the mine site. Changes to assumptions could lead to material changes in the estimated recoverable amount of explored mineral resources.

Our response: Our audit procedures included, among others: assessment of the competence, objectivity, capabilities and scope of work of the external expert engaged by the Group by performing independent background check and examination of the result of the expert's work; evaluating the appropriateness of the estimation method applied by the expert by comparing with the acceptable methods commonly used by the companies in the mining industry; testing the existence, completeness and accuracy of the reported nickel ores extracted during the year which reduced the reserves estimates by obtaining a stock validation report from Mines and Geosciences Bureau and examination of the extraction reports of the Group; assessment of the Group's key assumptions on the technological, market, economic and legal environment that may have an effect on the estimated nickel ore reserves through the conduct of independent research and comparison with external information; and evaluating the adequacy of the note disclosures, including disclosures of key assumptions, judgments and sensitivities.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and 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 these consolidated financial statements in accordance with PFRS, 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.

Auditors' 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 auditors' 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 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 maintains professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 the 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 auditors' 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 auditors' 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 group 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that 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 auditors' report is Vernilo G. Yu.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-035-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563856
Issued January 3, 2023 at Makati City

April 27, 2023
Makati City, Metro Manila

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April 27, 2023
Makati City, Metro Manila

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash	*4, 21*	**P229,318,142**	P36,350,579
Inventories	*5*	**397,970,166**	140,835,342
Other current assets - net	*6*	**371,693,020**	70,030,548
Total Current Assets		**998,981,328**	247,216,469
Noncurrent Assets			
Investment properties	*7*	**21,962,059**	21,962,059
Property, plant and equipment - net	*8*	**8,390,312,659**	5,179,604,247
Explored mineral resources - net	*9*	**1,423,668,269**	1,538,901,429
Deferred exploration costs	*10*	**51,346,671**	51,346,671
Deferred tax assets - net	*18*	**8,556,336**	6,841,377
Other noncurrent assets - net	*11, 21*	**73,850,695**	457,570,980
Total Noncurrent Assets		**9,969,696,689**	7,256,226,763
		P10,968,678,017	P7,503,443,232
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	*12, 21*	**P1,605,518,784**	P1,393,624,142
Short-term loan payable and current portion of mortgage payable	*14*	**451,316,760**	-
Due to a related party	*20, 21*	**6,388,608,722**	3,471,798,705
Income tax payable		**46,426,728**	81,807,679
Total Current Liabilities		**8,491,870,994**	4,947,230,526
Noncurrent Liabilities			
Mortgage payable - net of current portion	*14*	**2,418,514**	-
Provision for site rehabilitation	*13*	**22,142,206**	20,142,096
Retirement benefits liability	*17*	**7,678,026**	-
Other noncurrent liability	*21*	**1,046,325**	1,046,325
Total Noncurrent Liabilities		**33,285,071**	21,188,421
Total Liabilities		**8,525,156,065**	4,968,418,947
Equity Attributable to Equity Holders of the Parent			
Capital stock	*19*	**2,820,330,450**	2,820,330,450
Additional paid-in capital		**1,931,550**	1,931,550
Deficit		**(350,647,022)**	(262,573,791)
Total Equity Attributable to Equity Holders of the Parent		**2,471,614,978**	2,559,688,209
Noncontrolling Interest	*19*	**(28,093,026)**	(24,663,924)
Total Equity		**2,443,521,952**	2,535,024,285
		P10,968,678,017	P7,503,443,232

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

		Years Ended December 31		
	Note	**2022**	2021	2020
REVENUES	*15*	**P1,081,294,076**	P1,009,202,873	P77,117,237
COSTS AND EXPENSES				
Cost of sales	*16*	**(678,358,493)**	(427,732,202)	(57,031,267)
Operating expenses	*17*	**(313,492,728)**	(180,763,346)	(95,682,744)
Depletion of explored mineral resources	*9*	**(115,233,160)**	(60,793,885)	(25,454,884)
Loss on disposal of property, plant and equipment	*8*	**-**	-	(173,404,617)
INCOME (LOSS) BEFORE OTHER INCOME (CHARGES)		**(25,790,305)**	339,913,440	(274,456,275)
OTHER INCOME (CHARGES) - Net				
Interest income	*4, 11*	**24,317**	22,369	134,832
Foreign exchange loss	*21*	**(15,330,146)**	(1,913,589)	(202,762)
Interest expense	*13, 14*	**(5,694,430)**	(1,819,440)	(1,563,380)
		(21,000,259)	(3,710,660)	(1,631,310)
INCOME (LOSS) BEFORE INCOME TAX		**(46,790,564)**	336,202,780	(276,087,585)
INCOME TAX EXPENSE (BENEFIT)				
Current		**46,426,728**	83,344,047	401,719
Deferred		**(1,714,959)**	157,108	-
	18	**44,711,769**	83,501,155	401,719
NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)		**(P91,502,333)**	P252,701,625	(P276,489,304)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company		**(P88,073,231)**	P255,406,317	(P266,464,859)
Noncontrolling interest	*19*	**(3,429,102)**	(2,704,692)	(10,024,445)
		(P91,502,333)	P252,701,625	(P276,489,304)
Earnings (Loss) Per Share				
Basic/diluted	*22*	**(P0.0312)**	P0.0906	(P0.0945)

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Equity Attributable to Equity Holders of the Parent Company					
	Capital Stock (Note 19)	**Additional Paid-in Capital**	**Deficit**	**Total**	**Noncontrolling Interest** (Note 19)	**Total Equity**
Balance at January 1, 2020	P2,820,330,450	P1,931,550	(P251,515,249)	P2,570,746,751	(P11,934,787)	P2,558,811,964
Net loss/total comprehensive loss for the year	-	-	(266,464,859)	(266,464,859)	(10,024,445)	(276,489,304)
Balance at December 31, 2020	2,820,330,450	1,931,550	(517,980,108)	2,304,281,892	(21,959,232)	2,282,322,660
Net loss/total comprehensive loss for the year	-	-	255,406,317	255,406,317	(2,704,692)	252,701,625
Balance at December 31, 2021	2,820,330,450	1,931,550	(262,573,791)	2,559,688,209	(24,663,924)	2,535,024,285
Net income (loss)/total comprehensive income (loss) for the year	-	-	(88,073,231)	(88,073,231)	(3,429,102)	(91,502,333)
Balance at December 31, 2022	**P2,820,330,450**	**P1,931,550**	**(P350,647,022)**	**P2,471,614,978**	**(P28,093,026)**	**P2,443,521,952**

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P46,790,564)**	P336,202,780	(P276,087,585)
Adjustments for:				
Depreciation, amortization and depletion of property, plant, and equipment	*8,16,17*	**207,398,661**	153,733,284	26,394,717
Depletion of explored mineral resources	*9*	**115,233,160**	60,793,885	25,454,884
Retirement expense	*17*	**7,678,026**	-	-
Impairment loss on other current assets and input value-added tax (VAT)	*11*	**6,749,566**	-	-
Interest expense	*13, 14*	**5,694,430**	1,819,440	1,563,380
Impairment loss on advances to employees	*6*	**5,468,597**	-	-
Unrealized foreign exchange loss	*21*	**84,424**	1,913,589	202,762
Interest income	*4, 11*	**(24,317)**	(22,369)	(134,832)
Impairment loss on property, plant, and equipment	*8, 17*	**-**	-	18,220,162
Loss on disposal of property, plant, and equipment	*8*	**-**	-	173,404,617
Operating income (loss) before working capital changes		**301,491,983**	554,440,609	(30,981,895)
Decrease (increase) in:				
Inventories		**(231,080,678)**	87,822,630	(53,819,381)
Other current assets		**(22,142,522)**	(93,945,438)	(62,289,757)
Increase (decrease) in accounts payable and other current liabilities and other noncurrent liability		**211,894,642**	(142,579,085)	1,411,030,856
Net cash generated from operations		**260,163,425**	405,738,716	1,263,939,823
Income taxes paid		**(81,807,678)**	(401,719)	(598,261)
Interest paid		**(3,694,320)**	-	-
Interest received	*4*	**24,317**	22,369	134,832
Net cash provided by operating activities		**174,685,744**	405,359,366	1,263,476,394

Forward

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment	*8*	**(P3,308,898,565)**	(P1,884,128,931)	(P1,874,741,273)
Decrease (increase) in other noncurrent assets		**(43,280,483)**	(173,251,382)	(50,308,412)
Acquisition of investment properties	*7*	**-**	(89,554)	-
Payment of cost on deferred exploration	*10*	**-**	(1,395,123)	(5,280,000)
Net cash used in investing activities		**(3,352,179,048)**	(2,058,864,990)	(1,930,329,685)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances received from related parties	*20*	**2,916,810,017**	1,601,304,331	686,439,293
Availments of short-term loans payable	*14*	**450,000,000**	-	-
Availment mortgage payable		**4,004,127**	-	-
Payment of mortgage payable		**(268,853)**	-	-
Cash used in financing activities		**3,370,545,291**	1,601,304,331	686,439,293
NET INCREASE (DECREASE) IN CASH		**193,051,987**	(52,201,293)	19,586,002
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**(84,424)**	(1,913,589)	(202,762)
CASH AT BEGINNING OF YEAR	*4*	**36,350,579**	90,465,461	71,082,221
CASH AT END OF YEAR	*4*	**P229,318,142**	P36,350,579	P90,465,461

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Century Peak Holdings Corporation (CPHC or the "Parent Company"), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 30, 2003. The Parent Company is primarily engaged in promoting, operating, managing, holding, acquiring or investing in corporations or entities that are engaged in mining activities or mining-related activities.

On November 11, 2019, the SEC approved the change in the Parent Company's corporate name to Century Peak Holdings Corporation, formerly Century Peak Metals Holdings Corporation. On the same date, the Parent Company also obtained a certificate of filing from SEC for the Amendment of its Articles of Incorporation by introducing the Parent Company's secondary purpose which is to engage in and carry on general construction and construction related activities, land reclamation and development activities in the Philippines, real estate development or any real estate related activities, mining activities and mining related activities, power and energy activities and power and energy related activities.

The Parent Company listed its common shares of stock with the Philippine Stock Exchange (PSE) on October 6, 2009.

The Parent Company operates as the holding company of the following subsidiaries:

	Percentage of Ownership [a]	
	Direct	**Indirect**
Century Peak Corporation (CPC)	**100.00**	**-**
Century Peak Minerals Development Corp. (CPMDC) [c]	**100.00**	**-**
Century Peak Cement Manufacturing Corp. (CPCMC) [c]	**100.00**	**-**
Century Sidewide Smelting Incorporated (CSSI) [b]	**60.00**	**-**
Century Hua Guang Smelting Incorporated (CHGSI) [b]	**55.00**	**-**
Century Summit Carrier, Inc. (CSCI) [d]	**-**	**80.00**

[a] Based on the Parent Company's interest in the issued and outstanding shares of the subsidiaries as at December 31, 2022 and 2021
[b] CSSI and CHGSI have not yet started commercial operations.
[c] CPMDC and CPCMC were incorporated in 2015 and have not yet started commercial operations.
[d] Owned by the Parent Company through CPC.

On August 25, 2022, the SEC acknowledged the Parent Company and subsidiaries (collectively referred to as the "Group") change of registered office address from 14th Floor Equitable Tower Condominium, 8751 Paseo de Roxas, Makati City to 17/F Philamlife Tower, 8767 Paseo de Roxas, Barangay Bel-Air, Makati City.

MPSA-010-92-X or the "Casiguran Nickel Project," was acquired by CPC from Casiguran Mining Corporation by virtue of a deed of assignment on May 29, 2006, which was approved by the Department of Environment and Natural Resources (DENR) on December 11, 2006. On May 6, 2017, CPC's MPSA No. 010-92-X expired. The DENR approved the renewal of this MPSA on October 12, 2021 for another 25 year term commencing from June 11, 2017.

In addition, MPSA-283-2009-XIII-SMR or the "Rapid City Parcel II Prospect" ("Rapid City") was approved by the DENR on June 19, 2009. This MPSA has a term of 25 years from effective date.

The Acoje Property is covered by APSA-086-XIII and Environmental Compliance Certificate (ECC) No. 008-345-301C. The mineral properties under APSA-086-XIII is owned by the heirs of C.B. Gupana and Crau Mineral Resources Corporation (Crau). The heirs of CB Gupana and Crau applied for mineral production sharing agreement with Mines and Geosciences Bureau (MGB), and this is currently under process.

On May 25, 2024, Crau assigned its rights over its portion of the mineral properties to the Company for a consideration.

On November 21, 2021, Crau submitted a letter of intent to convert the pending application for Production Sharing Agreement to Exploration Permit Application.

APSA-086-XIII is still under final evaluation with the MGB Central Office as at December 31, 2022.

<u>The Smelting Plant Project</u>

CHGSI

CHGSI was registered and incorporated with the SEC on January 14, 2008. The principal activities of CHGSI are to invest in and engage in the business of operating and mining mineral resources in the Philippines such as iron ore, copper, gold, silver, lead, manganese, chromite, nickel, etc.; prospecting, exploring, milling, concentrating, converting, smelting, treating, refining, and manufacturing; preparing for the market, whether export or domestic; and producing and dealing in all its products and by-products of every kind and description and by whatsoever process the same can be or may be hereafter be produced.

On October 28, 2009, CHGSI was registered with Philippine Economic Zone Authority (PEZA) under Republic Act (RA) No. 7916 as an ecozone export enterprise engaged in the production of ferro-nickel (pig iron) at the Leyte Industrial Development Estate - Special Economic Zone (LIDE-SEZ).

As a PEZA-registered entity, CHGSI is subject to a 5% tax on gross income less allowable deductions, as defined in RA No. 7916, as amended by RA No. 8748, in lieu of all national and local taxes, after the four-year income tax holiday (ITH) period. The ITH will commence when CHGSI starts its commercial operations. As at December 31, 2022, CHGSI has not yet started its operation.

On November 9, 2010, CHGSI has received its Environment Compliance Certificate No. 1003-0011, issued by the Environmental Management Bureau authorizing the CHGSI's installation of a coking coal plant in LIDE-SEZ.

On March 1, 2011, CHGSI's application with PEZA for its proposed coking coal plant was approved. The said project shall be a support system for its ferro-nickel smelting plant. On the same date, CHGSI entered into a supplementary agreement with PEZA for the project timetable of its coking coal production in LIDE-SEZ.

As at December 31, 2022 and 2021, CHGSI has not yet started with its commercial operation.

CSSI

In 2011, the Parent Company entered into a partnership with Sidewide Resources (H.K.) Limited, a subsidiary of Chaoyang Saiwai Mining Co., Ltd of P. R. China., a group that owns an iron powder processing plant, electric furnace smelting plant, and primarily does mineral ore trading. It is the Parent Company's plan to set up electric furnaces in the future to enhance the production of its nickel pig iron. From this formed partnership, CSSI is incorporated.

As at December 31, 2022 and 2021, CSSI has not yet started with its commercial operation.

Mining Operations
CPC has mining activities in selected areas covered by its MPSA in the province of Dinagat Islands.

There are two Geologic Resource Evaluation Reports dated 2010 for the Casiguran Nickel Project and a Resource Evaluation Report for the Rapid City Parcel II Prospect, which were prepared by Dr. Carlo A. Arcilla, a licensed geologist and an accredited competent person in accordance with the definition of the Philippine Mineral Reporting Code.

Based on the reports, the Casiguran Nickel Project and Rapid City Parcel II Prospect have a combined indicated and measured resource of 9,897,000 dry metric tons (DMT) with a grade of 1.02% nickel (at 0.8% nickel cut-off) and 9,067,000 DMT with a grade of 1.07% nickel (at 0.8% nickel cut-off), respectively. These represent 100,000 metric tons of pure nickel and 3,500,000 tons of iron and 90,000 tons of pure nickel and 3,800,000 tons of iron for the Casiguran Nickel Project and Rapid City Parcel II Prospect, respectively, subject to mining plans and metal recovery parameters.

CPC looks forward to continue developing and exploring these mineral properties either on its own or with joint venture partners.

The Cement and Limestone Project
Through a Joint Operating Agreement (JOA) executed between Philippine Mining Development Corporation (PMDC) and CPC dated December 10, 2010, with a term of 25 years, the Group has 4,795 hectares in Pinamungahan, Cebu to mine limestone. An initial resource assessment conducted in 2012 on an 81-hectare area estimate as indicated limestone resource of 34,000,000 metric tons (see Note 23).

In April and July 2015, the Group was able to obtain the ECC for the Cement Plant/Power Plant and Limestone Quarry Project, respectively.

On September 29, 2015, through a Deed of Assignment executed between CPC and CPMDC, CPC assigned its rights over the JOA with PMDC to CPMDC. Through the assignment, CPMDC will handle the Pinamungahan Limestone Quarry Project and will take over from CPC the implementation of its obligations and commitments under the subject JOA.

On July 10, 2019, the MGB approved the Declaration of Mining Project Feasibility (DMPF) under the JOA. The approval shall authorize CPC to proceed to the development and operating periods under the JOA by and between PMDC and CPC including the extraction and commercial disposition of limestone, pozzolan and other associated minerals in the entire contract area.

On March 20, 2022, the transfer of ECC from CPC to CPMDC was approved by the Environmental Management Bureau Central Office.

The pre-operation activities are ongoing as at December 31, 2022. The Cement Project started its commercial operation in January 2023.

Registration of CPCMC with the BOI
On January 22, 2018, CPCMC was registered with the Board of Investments (BOI) with Certificate of Registration No. 2018-015, on its cement plant project at Barangay Sacsac, Pinamungahan, Cebu, as a new producer of cement on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

As a BOI-registered entity, CPCMC is entitled to the following incentives, among others:

a. ITH for four (4) years from October 2020 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

b. Importation of capital equipment, spare parts and accessories at zero duty under Executive Order No. 22 and its Implementing Rules and Regulations. Only equipment directly needed and exclusively used in its operations shall be entitled to capital equipment incentives;

c. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH;

d. Importation of consigned goods equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond;

e. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from the start of commercial operations.

   Request for amendment of the date of start of commercial operations for purposes of determining the reckoning date of the ten (10) year period, shall be filed within one (1) year from the date of committed start of commercial operations;

f. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration;

g. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations;

h. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

Due to the spread of the Corona Virus Disease (COVID-19) in 2020 and pursuant to Article 7 (14) of Omnibus Investments Code of 1987 (Executive Order No. 226), BOI's Board Resolution No. 10-03 (Series of 2020) and BOI's Board Resolution No. 32-08 (Series of 2020) or the *"Support to Registered Projects Affected by the Taal Volcano Eruption and COVID-19 Pandemic"*, BOI granted the movement of the ITH's start date from October 2020 to October 2021 or actual start of commercial operations, whichever is earlier.

On January 26, 2021, CPCMC received a letter from BOI affirming the movement of the ITH's start date from October 2020 to October 2021 or actual start of commercial operations, whichever is earlier.

On December 16, 2021, the Management requested the movement of the start of commercial operation (SCO) and ITH reckoning date of CPCMC's registered project covered by BOI Certificate of Registration No. 2018-015.

On January 28, 2022, the BOI granted the request of the Company for the movement of its registered project's SCO and ITH reckoning date from October 2021 to April 2022.

CPCMC plans to start its commercial operations in February 2023. The reckoning date for the ITH will be on the actual SCO or March 2023 as approved by the BOI, whichever comes earlier.

CSCI
On April 10, 2018, CSCI was registered with the Maritime Industry Authority with Certificate No. DSO-2006-003-042 (2018) under Marina Circular 2006-003, which is valid until April 9, 2021.

As at December 31, 2022, the Company is still in process of the renewal.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by the Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issue by the Group's Board of Directors (BOD) on April 27, 2023.

Basis of Measurement
The consolidated financial statements have been prepared on a historical cost basis of accounting except for investment in equity securities which is measured at fair value.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded-off to the nearest peso, unless otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Group from the date control was obtained by the Parent Company. Equity attributed to the equity holders of the Parent Company is based on its share in net profits and net assets of the investees in accordance with the investees' Articles of Incorporation.

The consolidated financial statements reflect the consolidated accounts of the Group. Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in the consolidation.

The consolidated financial statements of the Group are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is an entity that is controlled by the Parent Company and whose accounts are included in the consolidated financial statements. Control exists when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases.

Noncontrolling Interest
Noncontrolling interest represents the interests not held by the Parent Company in its subsidiaries.

Use of Estimates and Judgments
The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. The judgments and estimates used in the accompanying consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the date of the Group's consolidated financial statements. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgment
In the process of applying the Group's accounting policies, management has made the below judgment, apart from those involving estimations, that has the most significant effect on the amounts recognized in the consolidated financial statements:

Distinguishing between Property, Plant and Equipment and Investment Property
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or lease out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The Group has determined the parcels of land held for capital appreciation and expenditures related to land reclamation as investment properties (see Note 7), while the land held for the construction of the cement plant is classified under property and equipment (see Note 8).

Estimates and Assumptions of Uncertainties

The key assumptions and estimation uncertainties concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Estimating Net Realizable Value (NRV) of Inventories

In determining the NRV of inventories, the Group considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Group adjusts the cost of inventories to the NRV at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews, on a continuous basis, the product movement, changes in customer demands and introduction of new products to determine whether these items should still be used in operations or otherwise disposed of and identifies inventories which are to be written-down to NRV. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventories amounted to P397,970,166 and P140,835,342 as at December 31, 2022 and 2021, respectively. There is no loss on inventory write-down for the years ended December 31, 2022, 2021 and 2020 (see Note 5).

Estimating Recoverable Reserves

Recoverable reserves and resource estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates for reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded depletion expenses for any period would be affected by changes in these factors and circumstances.

The carrying amount of mine site development cost amounted to P305,723,207 and P335,518,925 as at December 31, 2022 and 2021, respectively (see Note 8).

The carrying amount of explored mineral resources amounted to P1,423,668,269 and P1,538,901,429, as at December 31, 2022 and 2021, respectively (see Note 9).

Estimating Provision for Site Rehabilitation
In determining the provision for mine rehabilitation, the Group considers factors that affect the calculation of the ultimate liability. These factors include, but not limited to, the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. The Group reviews and updates these factors on a continuous basis. It is possible that future results of operations could be materially affected by change in the provision for site rehabilitation brought about by the changes in the factors mentioned.

As at December 31, 2022 and 2021, the provision for site rehabilitation costs amounted to P22,142,206 and P20,142,096, respectively (see Note 13).

Estimating Allowance for Impairment Losses on Advances to Third Parties, Advances to Employees, Prepayments and Input Value-added Tax (VAT)
The Group maintains an allowance for impairment losses at a level considered adequate to provide for probable unrecoverable amounts of advances to third parties, advances to employees, prepayments and input VAT. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the account.

Management has provided an allowance for advances to third parties, advances to employees, prepayments and input VAT amounting to P34,725,579 and P22,507,416 as at December 31, 2022 and 2021 (see Notes 6 and 11). The carrying amount of advances to third parties, advances to related parties, advances to employees, prepayments and input VAT amounted to P371,693,020 and P334,048,762 as at December 31, 2022 and 2021, respectively (see Notes 6 and 11).

Estimating Useful Lives of Property, Plant and Equipment
The useful life of each of the Group's property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life (EUL) of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the EUL of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying amount of property, plant and equipment as at December 31, 2022 and 2021, amounted to P8,390,312,659 and P5,179,604,247, respectively (see Note 8).

Estimating Allowance for Impairment Loss on Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Further events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the recoverable amounts and may lead to future additional impairment.

For deferred exploration costs, the facts and circumstances that the Group considers include the following: the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed; substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred exploration cost is unlikely to be recovered in full from successful development or by sale.

As at December 31, 2020, management assessed that the construction in progress of CHGSI amounting to P18,220,162 is no longer recoverable due to damages caused by Typhoon Yolanda in November 2013. Accordingly, the Group recognized impairment loss on its property, plant and equipment amounting to P18,220,612 in 2020 under "Operating Expenses". No impairment loss were recognized on its nonfinancial assets in 2022 and 2021.

The carrying amounts of the Group's nonfinancial assets are as follows:

	Note	**2022**	2021
Investment properties	*7*	**P21,962,059**	P21,962,059
Property, plant and equipment - net	*8*	**8,390,312,659**	5,179,604,247
Explored mineral resources - net	*9*	**1,423,668,269**	1,538,901,429
Deferred exploration costs	*10*	**51,346,671**	51,346,671
		P9,887,289,658	P6,791,814,406

Estimating Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Recognized deferred tax assets amounted to P8,556,336 and P6,841,377 as at December 31, 2022 and 2021, respectively (see Note 18).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below:

Adoption of Amended PFRS
The Group has adopted the following amendments to standard and interpretations starting January 1, 2022, and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact to the Group's consolidated financial statements.

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories.*

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income (loss). This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income (loss).

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards. Below is relevant to the Group:

  - Fees in the ’10 per cent’ Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the ’10 per cent’ test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees 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.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework.

  - added a requirement that, for transactions and other events within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022.

Amendments Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2023

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1*, Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures. The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations.

The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1).

  To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date; Illustrative Note Disclosures on the Adoption of the New PFRSs Effective 2022 and Beyond.

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures*). The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the Financial Reporting Standards Council decided to postpone the effective date of these amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments
Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value. Except for financial instruments designated as at FVPL, the initial measurement of financial assets includes transaction costs that are directly attributable to their acquisition cost or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

As at December 31, 2022 and 2021, the Group does not have any financial assets measured at FVPL and financial liabilities measured at FVPL.

Classification and Measurement

Financial Assets

The Group classifies its financial assets into the following categories: amortized cost, FVOCI - debt investment, FVOCI - equity investment or FVPL. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification of financial assets depends on both the business model in which the financial asset is managed and whether the cash flows from the financial asset represent, on specified date, SPPI on the principal amount outstanding. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any incremental transaction cost.

After initial recognition, these financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Losses are recognized in consolidated profit or loss and reflected in the allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant account is written-off. Gains and losses are recognized in consolidated profit or loss when these financial assets are derecognized or impaired, as well as through amortization process. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash in banks, due from a related party, and rehabilitation funds are included in this category.

Financial Assets at FVOCI. A financial asset is measured at FVOCI if the asset is held within a business model whose objective is both to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and to sell the financial asset. Such assets are recognized initially at fair value plus any incremental transaction cost.

At initial recognition, the Group irrevocably elects to present in other comprehensive income (OCI) subsequent changes in the fair value of its investment in an equity instrument that is not held for trading.

The Group's investment in equity securities not held for control or significant influence over the investee is included in this category. The Group has no FVOCI - debt investment.

After initial recognition, FVOCI - equity investments are measured at fair value. Dividends are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired.

Business Model Assessment. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management; and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Solely Payments of Principal and Interest Assessment. Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial Liabilities

Initial Recognition, Classification, Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated profit or loss. Any gain or loss on derecognition is also recognized in consolidated profit or loss.

Included in the Group's other financial liabilities are accounts payable and other current liabilities, due to a related party party, short-term loans payable, mortgage payable and other noncurrent liability.

Impairment of Financial Assets

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., 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), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information that is available without undue cost and effort.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor; and

- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

A default on a financial asset is when the counterparty fails to make contractual payments and objective evidence of impairment exists. A financial asset is credit-impaired when an event that has a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default;
- it is probable that the borrower will enter bankruptcy or either financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categorizes a financial asset for write off when a debtor fails to make payments or when it is no longer probable that the financial asset will be collected. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the financial asset due. Where recoveries are made, these are recognized in consolidated profit or loss.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of 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' profit) in consolidated profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in consolidated profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Offsetting Financial Instruments</u>

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, the Group has an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the consolidated statements of financial position.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial Assets

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

- The right to receive cash flows from the asset has expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

- The Group has transferred its right to receive cash flows from the asset and either has: (a) 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 right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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

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

Determination of Fair Values
The Group’s accounting policies require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the estimated amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. When applicable, 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. Information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

Inventories

Inventories, which consist of nickel and chromite ores are measured at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group uses the average method of inventory costing. Under the average cost formula, the cost of each item is determined from the average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.

Cost represents the average cost and comprises direct materials, labor and production overhead expenditure, including depreciation, amortization and depletion incurred in converting materials to finished products.

Other Current and Noncurrent Assets

Other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These are classified in the consolidated statements of financial position as current asset when the assets are expected to be received within one year or the Group's normal operating cycle, whichever is longer. Otherwise, these assets are classified as noncurrent assets.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The Group’s investment properties are held either to earn rental income or for capital appreciation or both or for undetermined future use. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Construction in progress represents investment properties under construction and is stated at cost. This includes cost of construction and other direct costs. Assets under construction are transferred to the related investment property account when the construction and installation and related activities necessary to prepare the investment property for the intended use are completed, and the investment property is ready for services. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses.

Investment properties are derecognized when these have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in consolidated profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Explored Mineral Resources

Explored mineral resources represent the Group's intangible asset for its right to mine certain areas. Such intangible asset, which has a definite useful life, was acquired by the Group in relation to its acquisition of a group of assets.

Explored mineral resources are initially recognized at fair value based on the cash flow generation of the relevant mineral property covered by the acquired MPSA which is the deemed cost, subsequently stated at initial amount less accumulated amortization and accumulated impairment losses, if any.

Amortization of explored mineral resources is calculated using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is directly charged as an expense during the period.

Amortization shall begin when the nickel ore extraction begins or when the mine site is in the condition when it is capable to operate in the manner intended by management, whichever is earlier. Amortization shall cease at the earlier of the date that the intangible assets is classified as held for sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and the date that asset is derecognized.

The estimated recoverable reserves and the amortization method are reviewed periodically to ensure that the estimated recoverable reserves and method of depletion are consistent with the expected pattern of economic benefits from the explored mineral resources. If the estimated recoverable reserve is different from previous estimates, the basis of depletion shall be changed accordingly.

Property, Plant and Equipment

Property, plant and equipment, except for land, are carried at cost less accumulated depreciation and amortization, depletion and impairment losses, if any. Land is carried at cost less any impairment in value.

Initially, an item of property, plant and equipment is measured at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition for its intended use. Subsequent costs (including costs of replacing a part of an item of property, plant and equipment) that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Mine site development costs represent the cost of road network, pier, stockyard and other costs incurred in constructing the production infrastructure for the intended mining operations. When exploration results are positive or commercially viable, cost incurred for development of mining properties are deferred as incurred.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization of these major spare parts and stand-by equipment commence once these have become available for use (i.e., when they are in the location and condition necessary for them to be capable of operating in a manner intended by the Group).

Construction in progress represents assets under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses. Assets under construction are transferred to the related property, plant and equipment account when the construction and installation and related activities necessary to prepare the property, plant and equipment for the intended use are completed and the property, plant and equipment are ready for services.

Depreciation and amortization charge is computed using the straight-line method over the EUL of the assets. Depreciation, amortization and depletion charge commences once the assets become available for use.

	Number of Years
Transportation and field equipment	4 - 50
Office space and improvements	10 - 25
Office equipment, furniture and fixtures	3 - 5

Depletion of mine site development cost is computed based on ore extraction over the estimated volume of proven and probable ore reserves, as estimated by the Group's geologist and certified by an independent geologist, or over the estimated life of specific components whichever results in a shorter period of depletion.

Depreciation, amortization and depletion charge is recognized in consolidated profit or loss unless future economic benefits embodied in the related property, plant and equipment are absorbed by other assets. In this case, the depreciation, amortization and depletion charge constitutes part of the cost of the other asset and is included in its carrying amount.

The assets' residual values, useful lives and depreciation, amortization and depletion methods are reviewed annually and adjusted, if appropriate, to ensure that the methods and period of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, EUL and methods of depreciation, amortization and depletion is adjusted prospectively from the time the change was determined necessary.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

When an asset is disposed of, or is retired from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization, depletion and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in consolidated profit or loss.

Deferred Exploration Costs

All costs directly attributable to the exploration and evaluation of mineral resources are deferred on a project by project basis until commencement of commercial mining operations or until an impairment is considered necessary. The recoverability of the amounts recorded as deferred exploration costs is dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties.

Deferred exploration costs are provided with appropriate allowance for impairment losses when properties are abandoned or when cost exceeds net realizable value. No depletion and amortization expense is included in consolidated profit or loss for the Cement Plant Project since the project has not yet reached commercial mining operations.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets, such as investment properties, property, plant and equipment, explored mineral resources, deferred exploration costs and other noncurrent assets (excluding rehabilitation costs) are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating units (CGU) to which the asset belongs is written-down to its recoverable amount. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs of disposal and its value in use. The fair value is the amount obtainable from the sale of the asset in an orderly transaction between market participants at a measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be delivered from an asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized in consolidated profit or loss in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property, plant and equipment, net of any depletion for mine site development cost) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in consolidated profit or loss. After such reversal, the depreciation, amortization and depletion expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to additional paid-in capital. If additional paid-in capital is not sufficient, the excess is charged to deficit.

Retained Earnings (Deficit) and Dividend Distribution

Deficit represents the cumulative balance of periodic profit (loss), dividend distributions, prior period adjustments and effects of changes in accounting policy and capital adjustments.

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Group. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

Cash and Property Dividend

The liability for the distribution is measured, initially and until the settlement date, at the fair value of the assets to be distributed. Any changes in the measurement of the liability are recognized in equity. For distributions in which the owners may elect to receive either non-cash assets or a cash alternative, the Group considers the fair value of each alternative and their associated probabilities when measuring the liability.

At the date on which the distribution occur, the liability is remeasured based on the fair value of the assets to be distributed, with any change therein recognized in equity; the liability and the assets distributed are derecognized, any difference between the fair value of the assets distributed and their carrying amount in the consolidated financial statements is recognized as a separate line item in consolidated profit or loss and any amounts recognized in OCI in relation to the assets distributed are reclassified to consolidated profit or loss or they may be transferred within equity depending on the derecognition requirements in other standards, on the same basis as would be required if the non-cash assets had been disposed of.

Other Comprehensive Income

Other comprehensive income pertains to items of income and expenses that are not recognized in consolidated profit or loss for the year in accordance with PFRS.

Revenue

Revenue from Contracts with Customers under PFRS 15

The Group is in the business of selling nickel ores. Revenue from contracts from customers is recognized as or when performance obligations are satisfied by transferring control of goods to the customer. Revenue is measured at the amount that the Group expects to receive under the contract or the transaction price.

Revenue from sale of nickel ores is recognized at the point in time when control of the asset is transferred to the customer upon delivery.

Sale of Nickel Ore
Revenue from sale of nickel ore is recognized in consolidated profit or loss on the date that minerals are delivered to the customer. Revenue is the transaction price, net of taxes, such as VAT (if applicable). Full payment of transaction price is due upon delivery.

Other Income
Other income is recognized when earned.

Interest income is recognized on a time-proportion basis using the effective interest method.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are rendered, or the expenses are incurred.

Cost of Sales
Cost of sales is recognized when the expense is incurred and is reported in the consolidated financial statements in the periods to which it relates.

Operating Expenses
Expenses incurred in the general administration of the day-to-day operation of the Group are generally recognized when the service is rendered or the expense is incurred.

<u>Employee Benefits</u>
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability
The Company provides for the estimated retirement benefits of qualified employees as required under Republic Act (RA) No. 7641, Retirement Pay Law. In the absence of a formal retirement plan, under RA No. 7641, an employee who retires shall be entitled to retirement pay equivalent to at least one-half month salary for every year of service minimum of 5 years, cash equivalent of five (5) days of service incentive leave and 1/12 of 13th month pay, a fraction of least six (6) months being considered as one (1) whole year. The determination of the retirement liability incorporates assumptions such as discount rates and expected rate of salary increase. The retirement liability recognized by the Company is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free rates of government bonds that have terms to maturity approximating the terms of the related retirement liability.

The Company did not undertake an actuarial valuation determined using the projected unit credit method. Management believes that the effect in the financial statements of the difference between the current method used by the Company and the required valuation method is not significant.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

(c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

   (i) the Group has the right to operate the asset; or

   (ii) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Group as Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of useful life or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated profit or loss the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases and Leases of Low-value Assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group records the lease payments associated with these leases as an expense on a straight-line basis over the lease term and are recognized as "Rent expense" on the consolidated statements of comprehensive income.

<u>Taxes</u>
Income tax expense comprises current and deferred tax. Income tax expense is recognized in consolidated profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or in OCI.

Current Tax
Current tax assets and liabilities for the current period are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of the net operating loss carryover (NOLCO), if any, and unused tax credits from excess minimum corporate income tax (MCIT). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, carry forward benefits of NOLCO, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated profit or loss;

- temporary differences relates to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and; and

- taxable temporary difference arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward tax benefits of NOLCO can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable income will allow the deferred tax assets to be recognized.

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

VAT
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the Group's consolidated statements of financial position.

Final Tax
Final tax represents tax on interest income derived from bank deposits. Final tax is recognized in consolidated profit or loss in the same period when the related interest income is recognized and is withheld by the depository bank for remittance to the taxing authority.

<u>Related Parties</u>
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 relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Segment Reporting
An operating segment is a component of an entity that: (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

The Group's operating business is organized and managed according to the nature of the products provided. Since there is only one segment representing a strategic business unit that offers the same product for the sale of nickel ores, financial information on business segment is no longer presented in the consolidated financial statements.

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed by dividing the consolidated profit (loss) applicable to common stock by the weighted average number of common shares outstanding during the period, with retroactive adjustments for any stock dividends declared.

Diluted earnings (loss) per share is calculated by dividing the profit (loss) attributable to common equity holders by the weighted average number of common shares outstanding during the year, adjusted for the effects of any potentially dilutive common shares.

Foreign Currency Transactions
The functional and presentation currency of the Group is the Philippine peso. Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated into Philippine peso using the prevailing exchange rate at the reporting date. Exchange gains or losses arising from translation of foreign currency denominated items at rate different from those at which they were previously recorded are recognized in consolidated profit or loss.

Interest Expense
Interest expense comprises accretion of interest expense on the provision for site rehabilitation and on borrowings. Interest expense is recognized in consolidated statements of comprehensive as it accrues, using the effective interest method and is presented net of final tax.

Provisions
A provision is a liability of uncertain timing or amount. It is 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 revisited at each reporting date and adjusted to reflect the current best estimate. 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 the 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 interest expense in the consolidated statements of comprehensive loss.

Provision for Site Rehabilitation
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the 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 mine assets. Overtime, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

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

Events After the Reporting Period
Post year-end events that provide additional information about the Group’s financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

4. Cash

This account consists of:

	Note	2022	2021
Cash in banks	*21*	**P229,215,626**	P36,305,579
Cash on hand		**102,516**	45,000
		P229,318,142	P36,350,579

Cash in banks earns interest at the prevailing bank deposit rates.

Interest income earned are as follows:

	Note	2022	2021	2020
Cash in bank		**P17,556**	P14,698	P5,961
Rehabilitation fund	*11*	**6,761**	7,671	128,871
		P24,317	P22,369	P134,832

As at December 31, 2021, management determined that the carrying amount of its cash in banks amounting to P1,645,073 was unrecoverable. The Group's bank accounts became dormant and the management has no current plan to re-activate these bank accounts. The Group recognized impairment loss on its cash in banks amounting to nil, P207,771 and P200,191 for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 21).

5. Inventories

This account consists of:

	2022	2021
Nickel ores	**P318,925,047**	P140,835,342
Limestone and other raw materials	**79,045,119**	-
	P397,970,166	P140,835,342

In 2022, 2021 and 2020, the cost of inventories recognized in consolidated profit or loss amounted to P678,358,496, P427,732,202, P57,031,267, respectively (see Note 16).

6. Other Current Assets

This account consists of:

	Note	**2022**	2021
Input VAT	*11*	**P284,988,547**	P -
Advances to:			
Third parties		**43,508,811**	52,624,521
Employees		**15,014,016**	14,144,625
Due from a related party	*20*	**34,517,452**	8,234,017
Prepaid expenses		**12,511,970**	8,406,564
		390,540,796	83,409,727
Allowance for impairment losses		**(18,847,776)**	(13,379,179)
		P371,693,020	P70,030,548

Advances to third parties include advances made for operation costs which will be deducted against future billings.

Advances to employees are due from Group's employees in the form of unliquidated cash advances which are expected to be liquidated within the next reporting period.

Prepaid expenses primarily consist of prepaid taxes, insurance, supplies and various items that are individually immaterial.

The movements in the allowance for impairment losses are as follows:

	Note	**2022**	2021
Balance at beginning of year		**P13,379,179**	P13,379,179
Impairment losses for the year	*17*	**5,468,597**	-
Balance at end of year		**P18,847,776**	P13,379,179

In 2022, the Group assessed that some of its advance to employees is no longer recoverable and decided to an additional allowance for impairment on advances to employees amounting to P5,468,597 (see Note 17)

7. Investment Properties

This account consists of:

	Land	**Land Reclamation Costs**	**Total**
Cost			
January 1, 2021 and December 31, 2021 and 2022	**P21,385,768**	**P576,291**	**P21,962,059**

Land
The two parcels of land classified as investment properties have a carrying amount of P21,385,768 as at December 31, 2022 and 2021. The Group held these two parcels of land for capital appreciation. Fair values, which represent the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date on March 11, 2019, amounted to P56,350,000. There is no indication of material changes in fair values as at December 31, 2022 and 2021.

The fair values of land as investment properties are determined by the Group through an independent property appraiser using the market data approach. In this approach, the values of the parcels of land are based on the following consideration:

- extent, character and utility of the properties;
- comparable properties which have been sold recently, plus current asking prices;
- zoning and current land usage in the locality; and
- highest and best use of the property.

Land Reclamation Costs
On December 21, 2018, the Company and the Province of Cavite entered into a Joint Venture Agreement for the reclamation of 1,332 hectares of land within the territorial jurisdiction of the Province of Cavite (see Note 23). Under the agreement, the Company shall be entitled to the 90% usable area of the raw land reclamation area. The Joint Venture Agreement shall end on the fifteenth (15^{th}) anniversary of the effective date or sooner day as agreed by the Party.

As of December 31, 2022 and 2021, the Company was able to obtain the area clearance for the land reclamation project in Cavite. The Company is still in the process of securing the other government clearances to start the reclamation project.

On January 31, 2019, the Company and the Province of Paranaque entered into a Joint Venture Agreement for the reclamation of 286.86 hectares of land in Manila Bay within the territorial jurisdiction of Paranaque City. Under the agreement, the Company shall be entitled to the 49% of the reclaimed area. After the issuance of Notice to Proceed, the Company is required to start the Raw Land Reclamation Area within one (1) year and to complete within five (5) years from the commencement.

As of December 31, 2022 and 2021, the Company was able to obtain the environment compliance certificate for the land reclamation project in Paranaque. The Company is still in the process of securing the other government clearances to start the reclamation project.

As at December 31, 2022 and 2021, the related land reclamation costs incurred by the Company amounted to P576,291.

8. Property, Plant and Equipment

Movements and balances of this account are presented below:

	Land	Mine Site Development Cost	Transportation and Field Equipment	Office Space and Improvements	Office Equipment, Furniture and Fixtures	Construction in Progress	Total
Cost							
January 1, 2021	P42,482,231	P421,154,027	P211,084,340	P40,431,411	P12,604,435	P3,023,538,933	P3,751,295,377
Additions	348,894	-	247,061,995	-	7,223,433	1,632,462,130	1,887,096,452
December 31, 2021	42,831,125	421,154,027	458,146,335	40,431,411	19,827,868	4,656,001,063	5,638,391,829
Additions	3,073,224	-	546,089,811	28,291,474	19,752,419	2,849,891,481	3,447,098,409
December 31, 2022	**45,904,349**	**421,154,027**	**1,004,236,146**	**68,722,885**	**39,580,287**	**7,505,892,544**	**9,085,490,238**
Accumulated Depreciation, Amortization and Depletion							
January 1, 2021	-	69,915,688	63,791,900	17,850,035	11,570,379	-	163,128,002
Depreciation, amortization and depletion	-	15,719,414	62,294,766	1,527,519	877,964	-	80,419,663
December 31, 2021	-	85,635,102	126,086,666	19,377,554	12,448,343	-	243,547,665
Depreciation, amortization and depletion	-	29,795,718	175,938,429	28,528,460	2,127,390	-	236,389,997
December 31, 2022	**-**	**115,430,820**	**302,025,095**	**47,906,014**	**14,575,733**	**-**	**479,937,662**
Allowance for Impairment Loss December 31, 2022 and 2021	**-**	**-**	**-**	**-**	**146,932**	**215,092,985**	**215,239,917**
Carrying Amount							
December 31, 2021	P42,831,125	P335,518,925	P332,059,669	P21,053,857	P7,232,593	P4,440,908,078	P5,179,604,247
December 31, 2022	**P45,904,349**	**P305,723,207**	**P702,211,051**	**P20,816,871**	**P24,857,622**	**P7,290,799,559**	**P8,390,312,659**

Construction in Progress
Construction in progress represents the construction and other direct costs incurred in relation with the cement plant project of CPCMC located in Cebu and other facilities under construction in Leyte for CHGSI's smelting plant.

In 2020, the management assessed that its smelting plant located in Leyte was no longer recoverable. An impairment loss amounting to P18,220,162 was recognized for the year ended December 31, 2020 (see Note 17).

Transportation and Field Equipment
In 2020, the Group disposed existing transportation and field equipment of CPC, with carrying amount of P173,404,617, as it intends to fully utilize new and modernized transportation and field equipment that was acquired in 2022 and 2021.

The Group's mortgage loans of P3,735,274 as at December 31, 2022 are collateralized by the Group's transportation equipment with a carrying amount of P4,004,127 as at December 31, 2022 (see Note 14).

The non-cash investing activities in 2022, 2021 and 2020 pertains to the depreciation expense amounting to P2,937,190, P2,967,521, and P2,731,897, respectively, which was capitalized as part of the Group's construction in progress.

Depreciation, amortization and depletion are allocated as follows:

	Note	**2022**	2021	2020
Capitalized:				
Inventories		**P45,631,003**	P31,119,235	P4,553,199
Capitalized to property, plant and equipment		**2,937,190**	2,967,521	2,731,897
Cost of sales	*16*	**149,325,253**	38,393,240	6,931,138
Operating expenses	*17*	**38,496,551**	7,939,667	6,563,618
		P236,389,997	P80,419,663	P20,779,852

9. Explored Mineral Resources

	2022	2021
Cost	**P2,016,756,977**	P2,016,756,977
Allowance for accumulated depletion	**(593,088,708)**	(477,855,548)
	P1,423,668,269	P1,538,901,429

The movements in the allowance for accumulated depletion as at December 31 are as follows:

	2022	2021
Balance at beginning of year	**P477,855,548**	P417,061,663
Depletion for the year	**115,233,160**	60,793,885
Balance at end of year	**P593,088,708**	P477,855,548

Explored mineral resources are part of the group of assets that the Parent Company acquired in 2008, in exchange for shares of stock of CPC. At acquisition date, these explored mineral resources were measured based on the expected cash flows from the explored area of about 400.0 hectares or 42.0% of total area covered by the MPSA.

The financial model yielded an expected net present value (NPV) on CPC's group of assets amounting to P2,016,756,977 using an investment hurdle rate of 36.6%. The NPV computation assumed an average selling price of USD 27,500 per metric ton of pure nickel, which considered a 16.2% discount to London Metal Exchange quoted prices; a 15-year production and selling period with a maximum annual production yield of 2,000,000 metric tons; and an average production cost of USD 6.4 per wet metric ton. The valuation was prepared by Asian Alliance Investment Corporation (AAIC), an independent financial advisor. Subsequently, the Parent Company appointed Multinational Investment Bancorporation (MIB), another independent financial advisor, to render fairness opinion to the valuation. The result of MIB's report dated April 9, 2008 fairly approximated that of AAIC's report.

For purposes of computing the NPV using discounted cash flow method, the valuation of explored mineral resources involves the extraction of non-replaceable resource.

The assumptions used in the valuation included a number of market factors that are subject to market risk, such as commodity risk and currency risk. Significant changes in the commodity prices and foreign exchange rates would affect the fair value of the explored mineral resource.

Depletion of explored mineral resources is recognized under the consolidated statements of comprehensive income (loss).

10. Deferred Exploration Costs

As at December 31, 2022 and 2021, movements of this account are as follows:

	2022	2021
Balance at beginning of year	**P51,346,671**	P49,951,548
Additions during the year	**-**	1,395,123
Balance at end of year	**P51,346,671**	P51,346,671

Deferred exploration costs pertain to expenditures related to exploration for economic mineral deposits. These include, among others, costs of exploration and mining rights acquisition, geological, geochemical and geophysical surveys, drilling, labor, materials and supplies, professional fees, community relations, and environmental management expenditures attributable to the Cement and Limestone Project.

Exploration activities are covered by a JOA entered by the Group with Philippine Mining Development Corporation (see Note 23).

11. Other Noncurrent Assets

	Note	**2022**	2021
Input VAT		**P28,297,404**	P273,146,451
Allowance for impairment losses on input VAT		**(15,877,803)**	(9,128,237)
		12,419,601	264,018,214
Rehabilitation funds	*21*	**47,985,424**	46,520,112
Investment in equity securities	*21*	**11,750,000**	11,750,000
Advances to Cebu Electric Cooperative (CEBECO)		**-**	135,262,654
Others		**1,695,670**	20,000
		P73,850,695	P457,570,980

Input VAT pertains to the excess of input VAT over output VAT and is recognized when an entity purchases goods or services from a VAT-registered supplier or vendor.

As at December 31, 2021, input VAT mainly pertains to the corresponding tax for the cement plant constructions.

As at December 31, 2022, management assessed that its input VAT amounting to P284,988,547 is realizable within twelve (12) months from the reporting period as CPCMC already started its commercial operation in January 2023. Input VAT amounting to P284,988,547 was reclassified as part of other current assets account in the consolidated statements of financial position (see Note 6).

A reconciliation of the allowance for impairment losses on input VAT at the beginning and end of 2022 and 2021 are shown below.

	Note	**2022**	2021
Balance at beginning of year		**P9,128,237**	P9,128,237
Allowance during the year	*17*	**6,749,566**	-
Balance at end of year		**P15,877,803**	P9,128,237

Rehabilitation funds were set up by the Group to ensure availability of financial resources for the satisfactory compliance with and performance of activities of its Environmental Protection and Enhancement Program during the specific phases of its mining projects. The funds also include a Social Development Management Program fund under a Memorandum of Agreement with the Development Bank of the Philippines (DBP).

The Group's rehabilitation funds are deposited with DBP and earn interest at the respective bank deposit rates. Interest income earned amounted to P6,761, P7,671, and P128,871 in 2022, 2021 and 2020, respectively (see Note 4). The fund balance is compliant with the required balance of MGB as at December 31, 2022 and 2021.

Investment in equity securities pertains to the Parent Company's ownership interest in Century Peak Hotel Management and Development Inc. formerly known as Century Peak Property Development, Inc. which is measured at fair value. The investment in equity securities has a par value of P100 per share. The investment in equity securities amounted to P11,750,000 as at December 31, 2022 and 2021. The fair value is under level 3 of the fair value hierarchy (Note 21).

Advances to CEBECO pertains to the advance payment made by the Group to Cebu Electric Cooperative for the transmission lines to be used in the Cement Plant Project. This was reclassified to property, plant and equipment account in the consolidated statements of financial position when the project was completed in 2022. This is a noncash investing activity.

12. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	**2022**	2021
Accounts payable		**P1,596,650,089**	P1,384,773,564
Accrued contractors' fees		**8,071,104**	8,071,104
Statutory payables		**797,591**	779,474
	21	**P1,605,518,784**	P1,393,624,142

The Group's accounts payable pertains to obligations for payment of goods and services that have been acquired from third party suppliers. The credit period on payables is normally on a 30 to 60 days term.

Accrued contractors' fees pertain to unbilled costs of cement plant constructions.

13. Provision for Site Rehabilitation

The movements in this account are as follows:

	2022	2021
Balance at beginning of year	**P20,142,096**	P18,322,656
Accretion of interest	**2,000,110**	1,819,440
Balance at end of year	**P22,142,206**	P20,142,096

A provision is recognized for the estimated rehabilitation costs of the Group's mine site upon termination of the MPSA, which is 25 years. The provision is calculated by the Group's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 9.93% as the effective interest rate. The accretion of interest amounting to P2,000,110, P1,819,440, and P1,563,380 for the periods ended December 31, 2022, 2021 and 2020, respectively (see Note 14).

14. Short-term Loan Payable and Mortgage Payable

Short-term Loan Payable
In 2022, the Group availed a short-term loan from a local bank to finance the Group's working capital requirements amounting to P450,000,000. The loan is secured with a corporate surety executed by certain individuals in their personal capacity. The loan bears an effective interest rate of 6% in 2022 which is payable within 30 to 60 days and renewable for another 30 to 60 days.

In 2023, the Group renewed the short-term loan for another 30 to 60 days.

Mortgage Payable
The Group obtained a loan from a local bank to finance its acquisition of transportation equipment. The carrying amount of these loans as at December 31, 2022 are as follows:

	2022
Current	**P1,316,760**
Noncurrent	**2,418,514**
	P3,735,274

These loans bear annual interest of 9.7% and payable in monthly installment until 2025.

The above loans are collateralized by a chattel mortgage on the Group's transportation equipment with a carrying amount of P4,004,127 million at December 31, 2022 (see Note 8).

Interest expense incurred are as follows:

	Note	2022	2021	2020
Short-term loan payable		**P3,578,486**	P -	P -
Provision for site rehabilitation	*13*	**2,000,110**	1,819,440	1,563,380
Mortgage payable		**115,834**	-	-
		P5,694,430	P1,819,440	P1,563,380

There was no accrued interest payable as at December 31, 2022.

The schedule of maturities of loans of the Company as at December 31, 2022 follows:

	Amount
Within one year	**P451,316,760**
One to two years	**1,450,080**
Two to three years	**968,434**
	P453,735,274

15. Revenues

This account pertains to the amount of revenue earned by the Group from the sale of nickel ores to customers. In 2022, 2021 and 2020, revenue recognized in consolidated profit or loss amounted to P1,081,294,076, P1,009,202,873 and P77,117,237, respectively.

16. Cost of Sales

This account consists of:

	Note	2022	2021	2020
Fuel and oil		**P211,627,356**	P104,275,014	P10,241,208
Depreciation, depletion and amortization	*8*	**168,902,110**	145,793,617	19,831,099
Rent		**139,926,929**	9,577,495	1,791,232
Labor cost		**97,087,391**	65,802,558	9,357,658
Utilities		**17,162,789**	49,541,909	4,752,993
Contractors' fees		**14,114,568**	26,511,258	6,997,886
Materials and supplies		**13,412,102**	7,596,430	1,332,524
Other charges		**16,125,248**	18,633,921	2,726,667
		P678,358,493	P427,732,202	P57,031,267

Fuel and oil pertain to the expenditures on petroleum and similar products incurred by the Company in its mining operation.

Depreciation, amortization and depletion were from the following:

	Note	2022	2021	2020
Depreciation, amortization and depletion during the year	*8*	**P149,325,253**	P38,393,240	P6,931,138
Beginning inventories sold during the year		**19,576,857**	107,400,377	12,899,961
		P168,902,110	P145,793,617	P19,831,099

Rent consists of various lease agreements with third parties with terms of less than one (1) year. The rental expenses mainly pertain to the rental for dump trucks, backhoes, vessels and payloaders which were leased only when needed for the mining operations.

Labor cost pertains to the amount paid by the Group to its regular, contractual and seasonal employees who are directly involved in its mining operation.

Contractor's fees pertain to the expenses incurred related to the third-party contractors engaged by the Group to operate and/or manage the Group's mine sites.

17. Operating Expenses

This account consists of:

	Note	2022	2021	2020
Royalty tax		**P43,848,632**	P50,460,144	P3,469,466
Salaries, wages and employee benefits		**39,745,424**	31,104,182	29,034,565
Depreciation and amortization	*8*	**38,496,551**	7,939,667	6,563,618
Taxes and licenses		**36,003,378**	18,484,965	12,483,895
Excise tax		**34,840,238**	20,170,449	2,772,134
Professional fees		**26,464,662**	6,351,821	6,688,154
Freight and handling cost		**13,323,262**	555,559	-
Representation		**11,448,330**	2,004,109	1,671,971
Rent		**7,603,062**	3,594,875	-
Provision for impairment of input VAT	*11*	**6,749,566**	-	-
Transportation and travel		**5,483,869**	1,227,540	654,625
Impairment loss on advances to employees and others	*6*	**5,468,597**	-	-
Document and processing fees		**4,737,499**	205,751	-
Materials and office supplies		**4,002,849**	2,090,287	570,226
Service fees		**3,730,431**	29,716,042	4,343,799
Impairment loss on property, plant and equipment	*8*	**-**	-	18,220,162
Impairment loss	*4, 6, 11*	**-**	207,771	200,191
Others		**31,546,378**	6,650,184	9,009,938
		P313,492,728	P180,763,346	P95,682,744

Royalty tax and excise tax pertain to the tax imposed on the sale of mineral resources, which is 5% and 4%, respectively, of the assessed value of MGB.

Salaries, wages and benefits include retirement expense amounting to P7,678,026 for the year ended December 31, 2022. There is no retirement expense recognized for the years ended December 31, 2021 and 2020.

The Group's retirement plan is unfunded, noncontributory defined benefit plan with a single lump-sum payment covering retirement based on Republic Act No. 7641. The retirement benefits recognized are based on years of service and compensation on the last year of employment.

The Group did not obtain an actuarial valuation in 2022 because the management has assessed that the effect on the consolidated financial statements of the difference between the retirement benefits expense recognized by the Group and that resulting from actuarial valuation will not be significant.

Others include allowances to contractual workers, bank charges and various items that are individually immaterial.

18. Income Taxes

Current tax expense in 2022 and 2021 pertains to RCIT while in 2020 represents MCIT.

The reconciliation of income tax expense (benefits) computed at the statutory tax rates to income tax expense recognized in consolidated profit or loss is summarized as follows:

	2022	2021	2020
Income (loss) before income tax	**(P46,790,564)**	P336,202,780	(P276,087,585)
Income tax expense computed at statutory tax rates of 25% in 2022 and 2021 and 30% in 2020	**(P11,697,641)**	P84,050,695	(P82,826,276)
Income tax effects of:			
Change in unrecognized deferred tax assets	**19,516,719**	29,719,727	18,010,089
Nondeductible expenses	**36,899,986**	-	65,258,355
Interest income subjected to final tax	**(7,295)**	(5,592)	(40,449)
Applied NOLCO	**-**	(31,670,634)	-
Effect of change in tax rate	**-**	1,406,959	-
	P44,711,769	P83,501,155	P401,719

** The statutory income tax rate is 25%, 25% and 30% for 2022, 2021 and 2020, respectively. The Company used the transitory rate of 27.5% in its 2020 income tax return upon the enactment of CREATE Act. Any difference between the 2020 income tax return and 2020 financial statements is recorded as part of the 2021 current income tax expense. In 2021, the impact of the change in tax rate in the current income tax expense is nil while the impact of the change in tax rate in the recognized deferred tax asset amounted to P1,406,959 in 2021.*

The components of the Group's deferred tax assets recognized in the consolidated statements of financial position are as follows:

2022	**January 1**	**Recognized in Consolidated Profit or Loss**	**December 31**
Provision for site rehabilitation - net	**P3,799,987**	**P1,735,565**	**P5,535,552**
Provision for impairment loss	**3,041,390**	**-**	**3,041,390**
Unrealized foreign exchange gain	**-**	**(20,606)**	**(20,606)**
Deferred Tax Assets	**P6,841,377**	**P1,714,959**	**P8,556,336**

2021	January 1	Recognized in Consolidated Profit or Loss	December 31
Provision for site rehabilitation - net	P4,559,984	(P759,997)	P3,799,987
Unrealized foreign exchange loss	232,103	(232,103)	-
Provision for impairment loss	3,649,668	(608,278)	3,041,390
Excess MCIT over RCIT	93,098	(93,098)	-
Deferred Tax Assets	P8,534,853	(P1,693,476)	P6,841,377

In 2021, MCIT amounting to P1,536,638 was applied against income tax due.

In 2022 and 2021, deferred tax assets have not been recognized by the Group in respect of the following items, as is it not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2022	2021
NOLCO	**P127,265,970**	P85,931,630
Provision for site rehabilitation - net	**-**	20,142,096
Unrealized foreign exchange loss	**-**	1,913,589
	P127,265,970	P107,987,315

As at December 31, 2022, the Group has NOLCO which can be claimed as deduction against future taxable income as follows:

Year Incurred	Amount	Incurred	Applied/ Expired	Balance	Expiry Year
2022	P -	P84,969,701	P -	P84,969,701	2025
2021*	22,642,741	-	-	22,642,741	2026
2020*	19,653,528	-	-	19,653,528	2025
2019	43,635,361	-	(43,635,361)	-	2022
	P85,931,630	P84,969,701	(P43,635,361)	P127,265,970	

**NOLCO has expiration of three (3) years from the year incurred. However, for NOLCO incurred by the Company in 2020, Section 4 of RR No. 25-2020 provides that businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years, immediately following the year of such loss, unless otherwise disqualified.*

In 2021, the Group applied NOLCO amounting to P105,568,781 against taxable income.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.
On March 26, 2021, the President of the Philippines approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations (RR) that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income*;

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended*;
- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended*; and

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997*.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

Further, the Bureau of Internal Revenue has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Group was lowered from 30% to 25% for large corporations on which the Group qualifies, effective July 1, 2020.

19. Equity

Capital Stock

	Number of Shares	Amount
Authorized, P1.0 par value	**3,575,000,000**	**P3,575,000,000**
Issued and outstanding	**2,820,330,450**	**P2,820,330,450**

On June 5, 2008, CPHC filed with the PSE an application for listing by way of introduction of up to a total of 2,820,330,450 common shares of the capital stock of CPHC. The listing application was approved by the PSE on July 22, 2009. No offer price has been set since no initial public offering of shares to be conducted as the subject shares sought to be registered will be listed by way of introduction.

CPHC has 223 and 229 holders of common equity securities as at December 31, 2022 and 2021, respectively.

CPHC is compliant with the minimum public float of 20% that is required by the PSE, where CPHC's shares are traded.

Noncontrolling Interest (NCI)
The following table summarizes the information relating to the Group's subsidiaries:

		2022	
	CHGSI	**CSSI**	**CSCI**
NCI percentage	**45%**	**40%**	**20%**
Current assets	**P -**	**P119,848,450**	**P7,144,704**
Noncurrent assets	**36,706,813**	**-**	**106,171,148**
Current liabilities	**(191,337,493)**	**(7,000)**	**(138,442,776)**
Noncurrent liability	**-**	**-**	**-**
Net assets (liabilities)	**(P154,630,680)**	**P119,841,450**	**(P25,126,924)**
Carrying amount of NCI	**(P69,583,806)**	**P47,936,580**	**(P5,025,385)**
Revenue	**P -**	**P -**	**P -**
Net loss/total comprehensive loss	**(P453,000)**	**(P7,000)**	**(P16,112,254)**
Net loss/total comprehensive loss allocated to NCI	**(P203,850)**	**(P2,800)**	**(P3,222,452)**
Cash flows from operating activities	**(P598,153)**	**(P7,000)**	**(P16,112,254)**
Cash flows from a financing activity	**598,153**	**7,000**	**16,112,254**
Net decrease in cash	**P -**	**P -**	**P -**

	2021		
	CHGSI	CSSI	CSCI
NCI percentage	45%	40%	20%
Current assets	P -	P119,848,450	P7,279,802
Noncurrent assets	36,652,812	-	122,162,441
Current liabilities	(189,784,167)	-	(138,456,913)
Noncurrent liability	(1,046,325)	-	-
Net assets (liabilities)	(P154,177,680)	P119,848,450	(P9,014,670)
Carrying amount of NCI	(P69,379,956)	P47,939,380	(P1,802,934)
Revenue	P -	P -	P -
Net loss/total comprehensive loss	(P2,761,603)	(P9,236)	(P7,291,386)
Net loss/total comprehensive loss allocated to NCI	(P1,242,721)	(P3,694)	(P1,458,277)
Cash flows from operating activities	(P1,538,585)	P -	(P1,757,202)
Cash flows from a financing activity	1,330,814	-	1,757,202
Net decrease in cash	(P207,771)	P -	P -

20. Related Party Transactions

The following are the significant related party transactions and balances:

Category/Transaction	Year	Amount of the Transaction	Outstanding Balance: Due from a Related Party	Outstanding Balance: Due to a Related Party	Terms	Conditions
Stockholders						
Advances	**2022**	**P2,916,810,017**	**P -**	**P6,388,608,722**	Due on demand; noninterest-bearing	Unsecured
	2021	1,601,304,331	-	3,471,798,705		
Entity with Common Stockholder						
Advances	**2022**	**26,383,435**	**34,517,452**	**-**	Due on December 2023; noninterest-bearing	Unsecured; no impairment
	2021	8,234,017	8,234,017	-		
Total	2022		**P34,517,452**	**P6,388,608,722**		
Total	2021		P8,234,017	P3,471,798,705		

a. The Group initially pays for the expenses incurred by its related party. Outstanding balance amounting to P34,517,452 and P8,234,071 as at December 31, 2022 and 2021, respectively will be settled in cash.

b. Noninterest-bearing cash advances from stockholders were used by the Group to finance its working capital requirements and are to be settled in cash.

   Based on PIC Q&A 2011-03 (amended June 2020): *Accounting for Intercompany Loans*, the loan which is payable on demand, shall be classified by the borrower as current. In both initial recognition and subsequent measurement, the borrower shall record the loan liability at the amount repayable.

   As at December 31, 2022 and 2021, the Group classified its liability to stockholders amounting to P6,388,608,722 and P3,471,798,705, respectively as current liability in consolidated statements of financial position.

Reconciliation of Opening and Closing Balances of Due to a Related Party

	2022	2021
Opening balance	**P3,471,798,705**	P1,870,494,374
Additions	**2,916,810,017**	1,601,304,331
Ending balance	**P6,388,608,722**	P3,471,798,705

Outstanding balance of due to stockholders is to be settled through cash.

There was no key management personnel compensation in 2022, 2021 and 2020.

21. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management

Overview

The Group's financial instruments consist of cash in banks, due from a related party, rehabilitation funds, investment in equity security, accounts payable and other current liabilities, due to a related party, short term payable, mortgage payable and other noncurrent liability. The main purpose of these financial instruments is to finance the Group's current operations. The main risks arising from the use of these financial instruments are credit risk, liquidity risk and market risk.

Risk Management Framework

The BOD and management have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There were no changes in the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash in banks and rehabilitation funds.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the financial assets, net of the value of the collaterals, if any. The carrying amount of financial assets represents the maximum credit exposure

With respect to the credit risk arising from cash in banks and rehabilitation funds, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2022 and 2021 is presented below.

	Note	2022	2021
Cash in banks	*4*	**P229,215,626**	P36,305,579
Due from a related party	*6*	**34,517,452**	8,234,017
Rehabilitation funds	*11*	**47,985,424**	46,520,112
		P311,718,502	P91,059,708

The Group's exposure to credit risk arises principally from the credit risk that arises from default by counterparties.

The table below shows the credit quality by class of financial assets as at December 31, 2022 and 2021.

	2022				
	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Financial Assets at Amortized Cost					
Cash in banks	**P229,215,626**	**P -**	**P -**	**P1,645,073**	**P230,860,699**
Due from related party	**34,517,452**	**-**	**-**	**-**	**34,517,452**
Rehabilitation funds	**47,985,424**	**-**	**-**	**-**	**47,985,424**
	P311,718,502	**P -**	**P -**	**P1,645,073**	**P313,363,575**

	2021				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Financial Assets at Amortized Cost					
Cash in banks	P36,305,579	P -	P -	P1,645,073	P37,950,652
Due from related party	8,234,017	-	-	-	8,234,017
Rehabilitation funds	46,520,112	-	-	-	46,520,112
	P91,059,708	P -	P -	P1,645,073	P92,704,781

The Group applies the simplified approach using provision matrix in providing for ECL, which permits the use of the lifetime expected loss provision for financial assets. The expected loss rates are based on the Group's historical observed default rates. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of this macroeconomic factor has not been considered significant within the reporting period.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write off; (b) losses which are likely to occur but has yet to occur; and (c) the expected receipts and recoveries once impaired.

Cash in banks and rehabilitation fund of the Group are deposited to banks that qualify as universal banks as defined by the Philippine Banking System. Universal banks represent the largest single group, resource-wise, of financial institutions in the country and hence, considered stable.

Impairment loss on cash in banks amounting to nil, P207,771 and P200,191 is recognized as expense on the consolidated statements of comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020, respectively, as management deemed that the financial assets to be unrecoverable (Note 4).

Except for the dormant cash in banks, all the cash deposited in banks including the rehabilitation fund has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash in banks and rehabilitation fund have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources. Cash balances are managed with two main objectives: maintain maximum liquidity and minimize the cost of borrowing.

Exposure to Liquidity Risk

The following tables summarize the maturity of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual repayment arrangements:

	2022			
	Carrying Amount	**Contractual Cash Flows**	**Within One Year**	**More than One Year**
Accounts payable and other current liabilities*	**P1,604,721,193**	**P1,604,721,193**	**P1,604,721,193**	**P -**
Short-term loan payable	**450,000,000**	**470,250,000**	**470,250,000**	**-**
Mortgage payable	**3,735,274**	**4,245,824**	**1,622,328**	**2,623,496**
Due to related parties	**6,388,608,722**	**6,388,608,722**	**6,388,608,722**	**-**
Other noncurrent liability	**1,046,325**	**1,046,325**	**-**	**1,046,325**
	P8,448,111,514	**P8,468,872,064**	**P8,465,202,243**	**P3,669,821**

**Excluding statutory payables amounting to P797,591.*
***Including interest.*

	2021			
	Carrying Amount	Contractual Cash Flows	Within One Year	More than One Year
Accounts payable and other current liabilities*	P1,392,844,668	P1,392,844,668	P1,392,844,668	P -
Due to related parties	3,471,798,705	3,471,798,705	3,471,798,705	-
Other noncurrent liability	1,046,325	1,046,325	-	1,046,325
	P4,865,689,698	P4,865,689,698	P4,864,643,373	P1,046,325

**Excluding statutory payables amounting to P779,474.*

It is not expected that the cash flows included in the maturity analysis could occurs significantly earlier, or at significantly different amounts.

The stockholder to which the Group substantially owes the outstanding balance of due to related party committed not to recall or demand repayment of advances made to the Group except that insofar or the funds of the Group permits repayment and such repayment will not adversely affect the ability of the Group to carry the business operations as a going concern. In addition, the stockholder agrees to advance additional funds to the Group as necessary to pay the third-party creditors.

The Group has an existing peso credit line facility with Sterling Bank of Asia Inc. (A Savings Bank) with a credit limit of P655,000,000 which shall expire on September 30, 2023 unless otherwise extended or renewed by the bank. The said credit facility will be available subject to terms and conditions set out in the agreement between the Group and Sterling Bank of Asia, Inc.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Exposures to Foreign Currency Risk

The Group's currency exposure relates mainly to foreign currency transactions in which trade receivables have to be collected and paid.

The following table shows the Group's significant foreign currency-denominated monetary assets and liabilities and their U.S. dollar equivalents as at December 31, 2022 and 2021:

	2022		2021	
	U.S. Dollar	**Philippine Peso**	U.S. Dollar	Philippine Peso
Cash in banks	**$19,688**	**P1,104,913**	$32,832	P1,666,880

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in the foreign currency rates, with all variables held constant.

	2022		2021	
Currency	**Strengthening (Weakening) of PHP**	**Increase (Decrease) in Income before Income Tax**	Strengthening (Weakening) of PHP	Increase (Decrease) in Income before Income Tax
USD	**(5%)**	P55,245	(6%)	P100,013
	5%	(55,245)	6%	(100,013)

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

The following are the significant exchange rates applied during the year:

	As at December 31, 2022		As at December 31, 2021	
	Average Rate	**Closing Rate**	Average Rate	Closing Rate
USD	**55.68**	**56.12**	49.25	50.77

For the years ended December 31, 2022, 2021, and 2020, foreign exchange gain (loss) recognized in consolidated profit or loss amounted to P84,424, (P1,913,589) and (P202,762), respectively.

Capital Management

The primary objective of the Group's capital management is to maximize the value of its capital for the benefit of its shareholders and other stakeholders. In order to achieve the objective, the management of the Group reviews its operations and financial performance with the forecasts on a regular basis to ensure that appropriate measures can be taken on a timely and effective manner. In addition, management of the Group also meets regularly to review the Group's capital requirement and the reasonableness of the level of its capital to be maintained.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities. Total equity comprises all components of equity including capital stock, additional paid-in capital and retained earnings (deficit).

	2022	2021
Total liabilities	**P8,525,156,065**	P4,968,418,947
Total equity	**2,443,521,952**	2,535,024,285
Debt-to-equity ratio at December 31	**3.5:1**	1.96:1

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally-imposed capital requirements.

Fair Values

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 value:

Cash in Banks, Due from a Related Party, Rehabilitation Funds, Mortgage Payable and Other Noncurrent Liability

The carrying amounts approximate fair values considering that these instruments are subject to an insignificant risk of change in value.

Due to a Related Party, and Accounts Payable, Short-term Loan Payable and Other Current Liabilities

The carrying amounts approximate fair values due to the short-term nature of such instruments.

Investment in Equity Securities

Fair values of unquoted equity investments are best approximated by cost due to the unpredictable nature of future cash flows and lack of suitable methods of arriving at more reliable fair value estimate.

22. Earnings (Loss) Per Share Computation

The following table presents information necessary to calculate loss per share:

	2022	2021	2020
Income (loss) attributable to equity holders of the Parent Company (a)	**(P88,073,231)**	P255,406,317	(P266,464,859)
Weighted average number of common shares outstanding (b)	**2,820,330,450**	2,820,330,450	2,820,330,450
Basic/diluted earnings (loss) per share (a/b)	**(P0.0312)**	P0.0906	(P0.0945)

The Parent Company has no dilutive shares for the years ended December 31, 2022, 2021 and 2020.

23. Commitments and Contingencies

Contingencies
In 2022, CPC received a Letter of Authority (LOA) from BIR to audit CPC's books for the year 2021 and 2020. In the first quarter of 2023, CPC has already submitted the documents for the taxable year 2020 and is currently preparing the information required by the BIR for the taxable year 2021.

JOA with PMDC
On November 18, 2010, CPC entered into a JOA with PMDC, whereby CPC will act as the operator in the exploration, development, mining operation and utilization of the limestone and associated mineral deposits in Toledo and Pinamungahan, Cebu owned by PMDC. The mineral deposit has a total area of 4,795 hectares and is covered by MPSA-045-96-VII and MPSA-046-96-VII.

The agreement has a term of 25 years and will entitle PMDC to a fixed annual royalty rate of 3% of gross sales from the limestone project, whereas CPC shall be entitled to all the risks and rewards in the mining operations. By virtue of the Agreement, CPC shall not acquire any title or ownership over the contract nor the mining area.

On September 29, 2015, through a Deed of Assignment executed between CPC and CPMDC, CPC assigned its rights over the JOA with PMDC to CPMDC. Through the assignment, CPMDC will handle the Pinamungahan Limestone Quarry Project and will take over from CPC the implementation of its obligations and commitments under the subject JOA.

On July 10, 2019, the MGB approved the Declaration of Mining Project Feasibility (DMPF) under the JOA. The approval shall authorize CPC to proceed to the development and operating periods under the JOA by and between PMDC and CPC, including the extraction and commercial disposition of limestone, pozzolan and other associated minerals in the entire contract area.

The pre-operation and exploration activities are ongoing as at December 31, 2022.

Land Reclamation Project with the Local Government of Cavite and Paranaque
On July 11, 2018, CPC and the Province of Cavite issued a Joint Certification stating that CPC and the Province of Cavite have successfully concluded the detailed negotiations between them for the unsolicited proposal submitted by CPC for the reclamation of 1,332 hectares of land within the territorial jurisdiction of the Province of Cavite.

Under the joint certification issued by both parties, CPC would be entitled to 90% of the total net usable land of the reclaimed area leaving 10% for the government.

The agreement provides at least 80% of the proposed reclamation project, which consists of five islands, and should be completed within the period of six years from the time the government permits, and clearances have been issued by concerned government agencies.

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 2 4 9 6 6

COMPANY NAME

CENTURY PEAK HOLDINGS
CORPORATION AND SUBSIDIARIES

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

17/F Philamlife Tower
8767 Paseo de Roxas, Barangay
Bel-Air, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
accting.century@gmail.com	(02) 8856-0999	09195661987

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	Every June 30	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Katrina C. Keng	katrina.keng@centurypeakholdings.com	(02) 8856-0999	09195661987

CONTACT PERSON's ADDRESS

17/F Philamlife Tower, 8767 Paseo De Roxas, Barangay Bel-Air, Makati 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.

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and Board of Directors
Century Peak Holdings Corporation and Subsidiaries
17/F Philamlife Tower
8767 Paseo De Roxas, Barangay Bel-Air
Makati City, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Century Peak Holdings Corporation and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 27, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-035-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563856
Issued January 3, 2023 at Makati City

April 27, 2023
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS ON SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
Century Peak Holdings Corporation and Subsidiaries
17/F Philamlife Tower
8767 Paseo De Roxas, Barangay Bel-Air
Makati City, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Century Peak Holdings Corporation and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 27, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group 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 (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

VERMILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-035-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563856
Issued January 3, 2023 at Makati City

April 27, 2023
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

CENTURY PEAK HOLDINGS CORPORATION

17/F Philamlife Tower 8767 Paseo De Roxas, Barangay Bel-Air Makati City, Philippines

Unappropriated Retained Earnings, Beginning, January 1, 2022	**P155,512,647**
Net loss for the current year closed to Retained Earnings	**(35,847,152)**
Less: Non-actual/unrealized income, net of tax:	
Deferred income tax benefit for the year	**-**
Equity in net income of associate/ joint venture	**-**
Unrealized foreign exchange gain - after tax (except those attributable to cash and cash equivalents)	**-**
Fair value adjustment (M2M gains)	**-**
Fair value adjustment of Investment Property resulting in gain	**-**
Adjustment due to deviation from PFRS/GAAP - gain	**-**
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	**-**
Subtotal	**119,665,495**
Add: Non-actual losses, net of tax:	
Depreciation on revaluation increment (after tax)	**-**
Adjustment due to deviation from PFRS/GAAP - loss	**-**
Loss on fair value adjustment of investment property (after tax)	**-**
Subtotal	**-**
Net loss actually earned during the year	**119,665,495**
Add (Less):	
Dividend declaration during the period	**-**
Appropriations of retained earnings during the period	**-**
Reversals of appropriations	**-**
Treasury shares	**-**
Subtotal	**-**
Unappropriated Retained Earnings, As Adjusted to Available for Dividend Declaration, Ending	**P119,665,495**

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
AS AT DECEMBER 31, 2022 AND 2021

<table>
<tr><th>RATIO</th><th colspan="2">FORMULA</th><th>2022</th><th colspan="2">FORMULA</th><th>2021</th></tr>
<tr><td rowspan="4">Current ratio</td><td colspan="2">Total Current Assets divided by Total Current Liabilities</td><td rowspan="4">0.12:1</td><td colspan="2">Total Current Assets divided by Total Current Liabilities</td><td rowspan="4">0.05:1</td></tr>
<tr><td>Total current assets</td><td>P998,981,328</td><td>Total current assets</td><td>P247,216,469</td></tr>
<tr><td>Divide by Total current Liabilities</td><td>8,491,870,994</td><td>Divide by Total current liabilities</td><td>4,947,230,526</td></tr>
<tr><td>Current Ratio</td><td>0.12</td><td>Current Ratio</td><td>0.05</td></tr>
<tr><td rowspan="8">Acid test ratio</td><td colspan="2">Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</td><td rowspan="8">0.03:1</td><td colspan="2">Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</td><td rowspan="8">0.01:1</td></tr>
<tr><td>Total Current assets</td><td>P998,981,328</td><td>Total Current assets</td><td>P247,216,469</td></tr>
<tr><td>Less: Inventories</td><td>(397,970,166)</td><td>Less: Inventories</td><td>(140,835,342)</td></tr>
<tr><td>Other current assets</td><td>(371,693,020)</td><td>Other current assets</td><td>(70,030,548)</td></tr>
<tr><td>Quick assets</td><td>229,318,142</td><td>Quick assets</td><td>36,350,579</td></tr>
<tr><td>Divided by: Total current liabilities</td><td>8,491,870,994</td><td>Divided by: Total current Liabilities</td><td>4,947,230,526</td></tr>
<tr><td>Acid test ratio</td><td>0.03</td><td>Acid test ratio</td><td>0.01</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td rowspan="10">Solvency ratio</td><td colspan="2">[Net income (loss) plus non-cash expenses (income)] divided by Total liabilities</td><td rowspan="10">0.03</td><td colspan="2">[Net income (loss) plus non-cash expenses (income)]) divided by Total liabilities</td><td rowspan="10">0.07:1</td></tr>
<tr><td>Net loss</td><td>(P91,502,333)</td><td>Net income</td><td>P252,701,625</td></tr>
<tr><td>Add (less):</td><td></td><td>Add (less):</td><td></td></tr>
<tr><td>Depletion of explored mineral resources</td><td>115,233,160</td><td>Depletion of explored mineral resources</td><td>60,793,885</td></tr>
<tr><td>Depreciation, amortization and depletion of property, plant and equipment</td><td>207,398,661</td><td>Depreciation, amortization and depletion of property, plant and equipment</td><td>47,698,856</td></tr>
<tr><td>Interest expense</td><td>5,694,430</td><td>Interest expense</td><td>1,819,440</td></tr>
<tr><td>Income before non-cash expenses</td><td>236,823,918</td><td>Income before non-cash expenses</td><td>363,013,806</td></tr>
<tr><td>Divided by: Total Liabilities</td><td>8,525,156,065</td><td>Divided by: Total Liabilities</td><td>4,968,418,947</td></tr>
<tr><td>Solvency ratio</td><td>0.03</td><td>Solvency ratio</td><td>0.07</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td rowspan="4">Debt-to-equity ratio</td><td colspan="2">Total liabilities divided by Total equity</td><td rowspan="4">3.49:1</td><td colspan="2">Total liabilities divided by Total equity</td><td rowspan="4">1.96:1</td></tr>
<tr><td>Total liabilities</td><td>P8,525,156,065</td><td>Total liabilities</td><td>P4,968,418,947</td></tr>
<tr><td>Divided by: Total equity</td><td>2,443,521,952</td><td>Divided by: Total equity</td><td>2,535,024,285</td></tr>
<tr><td>Debt-to-equity ratio</td><td>3.49</td><td>Debt-to-equity ratio</td><td>1.96</td></tr>
<tr><td rowspan="4">Asset-to-equity ratio</td><td colspan="2">Total assets divided by Total equity</td><td rowspan="4">4.49:1</td><td colspan="2">Total assets divided by Total equity</td><td rowspan="4">2.96:1</td></tr>
<tr><td>Total assets</td><td>P10,968,678,017</td><td>Total assets</td><td>P7,503,443,232</td></tr>
<tr><td>Divided by: Total equity</td><td>2,443,521,952</td><td>Divided by: Total equity</td><td>2,535,024,285</td></tr>
<tr><td>Asset-to-equity ratio</td><td>4.49</td><td>Asset-to-equity ratio</td><td>2.96</td></tr>
</table>

Forward

RATIO	FORMULA		2022	FORMULA		2021
Interest rate coverage ratio	Earnings before interest and taxes/Interest expense		**-7.22:1**	Earnings before interest and taxes/Interest expense		185.77:1
	Net loss	(P91,502,333)		Net income	P252,701,625	
	Add (less):			Add (less):		
	Income tax expense	44,711,769		Income tax expense	83,501,155	
	Interest income	(24,317)		Interest income	(22,369)	
	Interest expense	5,694,430		Interest expense	1,819,440	
	Income before interest and taxes	(41,120,451)		Income before interest and taxes	337,999,851	
	Divided by: Interest expense	5,694,430		Divided by: Interest expense	1,819,440	
	Interest rate coverage ratio	-7.22		Interest rate coverage ratio	185.77	
Return on equity	Net income (loss) divide by Total equity		**-0.04:1**	Net income (loss) divided by Total equity		0.10:1
	Net loss	(P91,502,333)		Net income	P252,701,625	
	Divided by: Total equity	2,443,521,952		Divided by: Total equity	2,535,024,285	
	Return on equity	-0.04		Return on equity	0.10	
Return on assets	Net income (loss) divided by Total assets		**-0.01:1**	Net income (loss) divided by Total assets		0.03:1
	Net loss	(P91,502,333)		Net income	P252,701,625	
	Divided by: Total assets	10,968,678,017		Divided by: Total assets	7,503,443,232	
	Return on assets	-0.01		Return on assets	0.03	
Net Profit Margin	Net income (loss) divided by Net Sales		**0.08:1**	Net income (loss) divided by Net Sales		0.25:1
	Net loss	(P91,502,333)		Net income	P252,701,625	
	Divided by: Net sales	1,081,294,076		Divided by: Net sales	1,009,202,873	
	Net Profit Margin	-0.08		Net Profit Margin	0.25	

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE A. FINANCIAL ASSETS

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the Consolidated Statement of Financial Position (ii)	Income received and accrued
Sterling Bank of Asia Inc.	P -	P208,370,153	P11,825
Development Bank of the Philippines	-	47,985,424	6,761
Century Peak Hotel Management and Development, Inc.	117,500 shares	11,750,000	Nil
BDO Unibank, Inc.	-	4,769,088	5,560
Union Bank of the Philippines	-	1,331,755	171
Asia United Bank	-	275,138	Nil
Bank of China	-	383,397	Nil
Security Bank Corp.	-	113,830	Nil
Totals	117,500 shares	**P274,978,785**	**P24,317**

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
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 (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
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 (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related Statement of Financial Position (ii)	Amount shown under caption "long-term debt" in related Statement of Financial Position (iii)
Noncurrent liability	**P3,464,839**	**P -**	**P3,464,839**

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

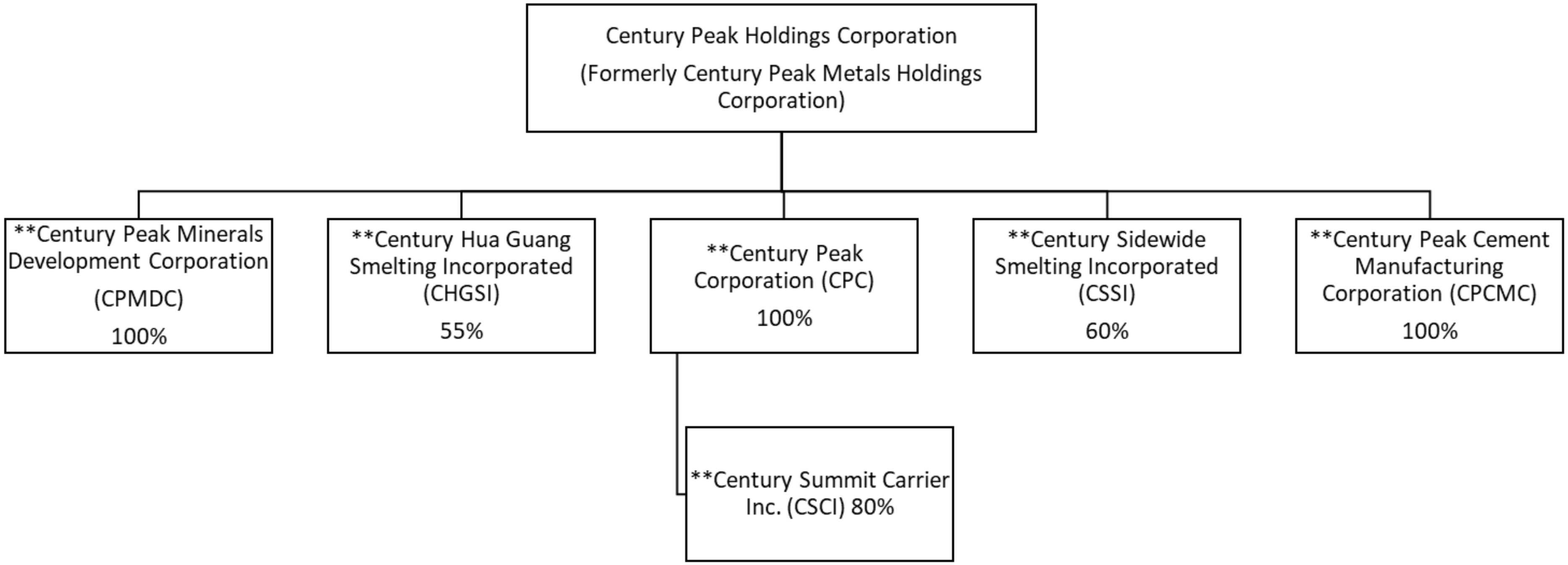
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related Parties (ii)	Directors, officers and employees	Others (iii)
Common Shares	3,575,000,000	2,820,330,450	-	-	1,814,245,502	1,006,084,948
Totals	**3,575,000,000**	**2,820,330,450**	**-**	**-**	**1,814,245,502**	**1,006,084,948**

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
Company Structure



- **Century Peak Holdings Corporation has been incorporated on December 30, 2003**
- **Century Peak Mineral Development Corp. has been incorporated on September 17, 2015**
- **Century Hua Guang Smelting Smelting Incorporated has been incorporated on January 14, 2008**
- **Century Peak Corporation has been incorporated on March 30, 2006**
- **Century Sidewide Smelting Incorporated has been incorporated on September 6, 2011**
- **Century Peak Cement Manufacturing Corporation has been incorporated on September 17, 2015**
- **Century Summit Carrier, Inc. has been incorporated on September 29, 2011**