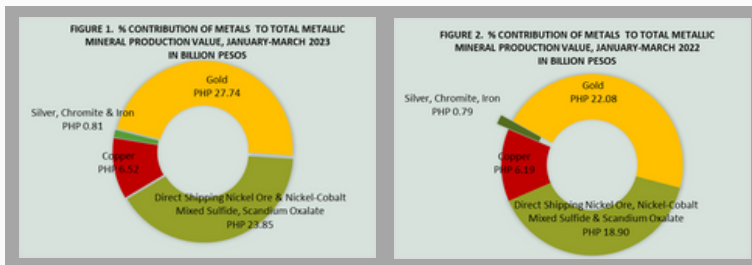


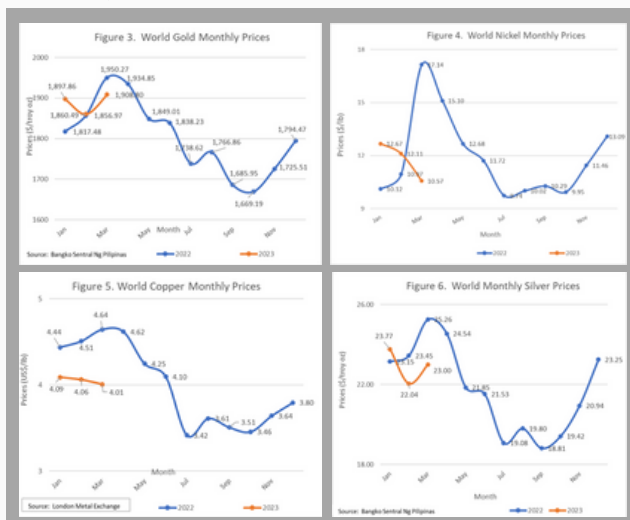
METALLIC PRODUCTION-VALUE RISES ANEW IN Q1 2023

The Philippines' metallic mineral production value rose anew with a 22.83% or PhP10.95 billion gain from PhP47.97 billion in Q1 2022 to PhP58.92 billion in Q1 2023. The upbeat performance was inspired by the growth in the volume and value of gold, nickel direct shipping ore, and chromite.

In terms of contribution to the total metallic mineral production value, gold took the top spot with 47.08% or PhP27.74 billion, while the collective output of nickel ore and other nickel by-products settled for the second spot with 40.48%, or PhP23.85 billion, share. Copper came in third with 11.06% or PhP6.52 billion. The consolidated value of silver, chromite, and iron ore accounted for about 1.38% or PhP0.81 billion of the total production value.



Among the metal prices, gold remained steadfast with a US\$14.14 increment at US\$1,889.05 per troy ounce from US\$1,874.91 per troy ounce, year-on-year. On the other hand, nickel, copper, and silver prices all went down during the review period. Nickel and copper declined by less than a dollar from US\$12.74 per pound to US\$11.78 per pound for nickel while for copper from US\$4.53 per pound to US\$4.05, year-on-year. In addition, silver was down by US\$1.02 from US\$23.95 per troy ounce to US\$22.94 per troy ounce, year-on-year. It is important to note that even though metal prices went down during Q1 2023 in contrast with Q1 2022. If we go beyond the review period by looking closely at the second half of 2022, the prices during the first quarter of 2023 were still at a higher level (refer to Figures 3-6) and prices are still way above their pre-pandemic levels.



In terms of gold production, total volume and value went up by 17% and 26%, or 1,223 kilograms and PhP5.66 billion respectively from 7,103 kilograms with an estimated value of PhP22.08 billion to 8,327 kilograms with an estimated value of PhP27.74 billion year-on-year. Philippines Gold Processing and Refining Corporation in Masbate led the group with 1,442 kilograms with an estimated value of PhP4.8 billion followed by OceanaGold Phils Inc. (OGPI) with 929 kilograms valued at PhP3.10 billion. In third and fourth positions were FCF Minerals and Apex Mining Company, Inc. with 685 kilograms and 611 kilograms, respectively. Bangko Sentral Ng Pilipinas (BSP) also recorded substantial purchases from their buying stations from 1,654 kilograms to 2,971 kilograms, an 80% increase. Of the five BSP buying stations, no purchase was made in Zamboanga City during the quarter. MROD-Quezon City, Baguio City, Davao City, and Naga City are the other buying stations. Said figure includes their purchases from Benguet Corporation (BC) (Acupan Contract Mining Project), Loacan Itogon Pocket Miners Association (LIPMA), and 25% of the gold dore production of OGPI during the quarter. BC and LIPMA sell their entire gold output to BSP as the law prescribes. Under Chapter III, Section 13.c.8 of DAO No. 2015-03 (Revised IRR of RA No. 7076, Otherwise known as the "People's Small-Scale Mining Act of 1991"), "Small-scale mining contractor shall sell its production outputs to the BSP or thru its authorized buying station(s)/agent(s), in the case of gold production". In relation to this, the BSP is also looking into setting up more buying stations for convenience and easy access by registered small-scale miners and accredited traders. The re-entry of Greenstone Resources Corporation into the production scene this year has also boosted production. Said company has been under care & maintenance status since 2018. For its initial offering this year it produced 79 kilograms of gold with an estimated value of PhP0.26 billion.

Nickel ore production volume and value remained in a good position from 3,792,676 dry metric tons with an estimated value of PhP8.09 billion to 3,997,829 dry metric tons with an estimated value of PhP11.53 billion, year-on-year. The average nickel price during the first quarter was slightly down by US\$0.96 per pound from US\$12.74 to US\$11.78, year-on-year. But still said prices are still way higher than their pre-pandemic levels from 2019 to 2021 prices were only at a one-digit mark playing around US\$5.00-US\$9.00 per pound. Of the 33 nickel operating mines, only 13 recorded productions with Rio Tuba Nickel Mining Corporation heading the list with 1,205,244 dry metric tons. This includes the ore delivered to Coral Bay Nickel Corporation followed by Eramen Mineral Inc. with 587,565 dry metric tons. The remaining 20 mines had no production mainly due to weather conditions or under care & maintenance. A nickel mining operation which is



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surface mining is always vulnerable to weather conditions. In the region of CARAGA, hailed as the nickel capital of the country, rains come in January, February, March, October, November, and December, with January being the wettest month.

During the period, Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) total plant output was 18,831 dry metric tons of Nickel-Cobalt Mixed Sulfide (MS) from 19,471 dry metric tons. The output value of the two plants amounted to PhP12.26 billion, 14% higher than PhP10.71 billion year-on-year. CBNC and THPAL are the country's only hydrometallurgical nickel processing plants commissioned in 2005 and 2013, respectively. Both employ High-Pressure Acid Leaching (HPAL) technology to convert low-grade nickel lateritic ores into MS which is an intermediate product with high commercial value. And when further refined it will be used as valuable components for special steels, electric, and battery materials. In addition to MS, THPAL also reported scandium oxalate and chromite as its by-products. About 4,383 dry metric tons with an estimated value of PhP0.07 billion scandium oxalate. Said commodity is a specialty chemical compound that is increasingly finding use in various applications due to its unique properties. It has a high melting point, high thermal conductivity, and excellent electrical properties, making it ideal for use in a range of industries. Still in the works is the prospect of the government requiring the establishment of more nickel processing plants to expand the export of value-added mineral products.

Copper production volume recorded a fraction of decrease from 64,841 dry metric tons to 64,730 dry metric tons while value increased by about 5% from PhP6.19 billion to PhP6.52 billion, year-on-year. Currently, the country has only three producers Carmen Copper Corporation (CCC) in Cebu, OceanaGold Phils Inc. (OGPI) in Nueva Vizcaya, and Philex Mining Corporation (PMC) in Benguet. In terms of distribution, CCC accounted for 55% or 35,648 dry metric tons, OGPI for 25% or 16,299 dry metric tons and PMC contributed 20% or 12,783 dry metric tons.

In contrast to gold which manifested growth, the performance of the white metal was lackluster as both production volume and value diminished by 11% and 10% respectively from 12,657 kilograms with an estimated value of PhP0.50 billion to 11,327 kilograms with an estimated value of PhP0.45 billion. The Balabag Gold-Silver Project of TVI Resource Development (Phils) Inc. in Zamboanga del Sur continued to outperform the others accounting for almost 37% or 4,221 kilograms with an estimated value of PhP0.16 billion of the country's total silver production. While the former leader Apex Maco Operation of Apex Mining Corporation was in second with 2,500 kilograms with an estimated value of PhP0.10 billion followed by the Masbate Gold Project of PGPRC with 1,715 kilograms with an estimated value of PhP0.07 billion.

Chromite production volume and value had a respectable run during the period from 18,036 dry metric tons with an estimated value of PhP0.16 billion to 20,496 dry metric tons with an estimated value of PhP0.25 billion, up by 14% and 55%, respectively. Only Techiron Resources, Inc and Taganito HPAL Nickel Corporation reported production. The substantial growth was due to THPAL's chromite input which incidentally is a by-product of their plant operation. Krominco, Inc in Caraga remained under care & maintenance status.

Iron ore production remained sluggish with production volume and value incurring 24% and 16% decline from 44,133 dry metric tons with an estimated value of PhP0.13 billion to 33,497 dry metric tons with an estimated value of PhP0.11 billion. Only Ore Asia Mining & Development Corporation recorded production. Both MacArthur Iron Projects Corporation and Atrio Mining Vitali Iron Inc. reported zero production.

In terms of mining taxes and fees paid to the National Government, during the first quarter of 2023, the estimated excise tax collected amounted to PhP1.41 billion while the royalty payments from mineral reservation areas amounted to PhP202.30 million. Under the Republic Act 10963 -Tax Reform for Acceleration and Inclusion (TRAIN) Law, a 4% excise tax based on the actual market value of the gross output at the time of removal shall be levied, assessed, and collected on mineral, mineral products, and quarry resources. While under Chapter 3. Section 13 of DAO No. 2010-21 (Providing for a Consolidated Department of Environment and Natural Resources Administrative Order for the IRR of RA No. 7942, Otherwise Known as the Philippine Mining Act of 1995), Contractors/Permit Holders/Lesseees shall pay to the MGB a royalty which shall not be less than five percent (5%) of the market value of the gross output of the minerals/mineral products extracted or produced from the Mineral Reservations exclusive of all other taxes. Currently, the country has eight (8) existing mineral reservation areas.

On the local front, the outlook for the minerals sector remains optimistic with the expected growth in the demand for nickel and gold. This expectation will be driven by the lifting of China's zero COVID-19 policy last December which imposed severe lockdowns in early 2022. The bulk of our nickel ore has always been exported to China. During the last two years, almost 97 percent of our nickel direct shipping ore exports went to China and the rest to Japan and South Korea. On gold, the diverse use of these precious metals in jewelry, technology, and investment assets as a haven during economic slowdowns/crises is what placed it in an advantageous position. Unlike with other metals where demand is exposed to the highs/lows of world economic activities such as in the sectors of manufacturing, construction, etc. Over the years, the country's major trading partners for its gold were Switzerland, Hongkong, India, and China



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Other main factors that will continue to boost the minerals sector include policy measures and initiatives by the government such as:

- The DENR Administrative Order (DAO) 2022-03 (Revised Implementing Rules and Regulations of Republic Act No. 7076, Otherwise known as the "People's Small-Scale Mining Act of 1991" - provides more thorough and organized guidance on the registration and licensing of small-scale miners, as well as the declaration of Minahang Bayan, the establishment of Mineral Processing Zones, and expedited application for Small-Scale Mining Contracts and Mineral Processing License.
- EO 130 (Amending Section 4 of EO 79, S. 2012, Institutionalizing and Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources) & DAO 2021-25 (Implementing Rules and Regulations of EO 130).
- DAO 2021-40 (Lifting of the Ban on the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Country under DAO 2017-10 and Providing Additional Enhanced Parameters and Criteria for Surface Mining Methods).
- DAO 2021-12 (Guidelines for the Automatic Renewal of the Exploration Period and the Timely Filing of Declaration of Mining Project Feasibility under Exploration Permit, MPSA, FTAA and Similar Mining Tenements).
- MGB also plans on the following activities: Expanding the collection of geosciences and mineral information database both onshore and offshore; identifying new mineral reserves; and designing mineral extraction to minimize environmental footprint.

The above policies were initiated to attract and open investment opportunities in the minerals sector. Currently in the works at the Mines and Geosciences Bureau, are the amendments of Republic Act 7942 Otherwise Known as the Philippine Mining Act of 1995, and Republic Act 7076 Otherwise Known as the People's Small Scale Mining Act of 1991.

Also, the government is looking for ways to level up the country's mineral markets in the field of semi-processed and fully processed mineral products by pushing for the establishment of processing, refineries, and downstream industries which is highlighted in the minerals sector roadmap of the Mines and Geosciences Bureau (MGB). This move will also strategically position the country both in the value chain and the global supply chain and eventually level up its position from a mere vendor of ores. The transition to electrification of cars on a global scale would increase demand for nickel, copper, and silver which are required to produce batteries for electric vehicles. Today where the world endeavors to reduce greenhouse gas emissions, the utilization of renewable energies and electric vehicles is very much in focus. Metals needed for low-carbon technologies/clean technologies include lithium, cobalt, nickel, and copper.

According to experts increased deployment of low-carbon technology would mean producing countries will find their natural resources in high demand. This is beneficial for the Philippines considering our abundance of nickel ore.

The MGB's planned roadmap for the minerals sector is divided into 3 phases: 1st Phase - Enhancing investors' confidence in the mineral sector (2022-2024); 2nd Phase - Expanding domestic ore production and mineral asset (2023-2030); and 3rd Phase - Philippines level up to global mineral markets in the field of semi-processed and fully processed mineral products (2026-2040).

By and large, the performance of the minerals sectors this year would depend on the interplay of the following internal and external factors:

- Policy support from the government in terms of tax reforms, ease of doing business, foreign investments, effective processing, and regulation of small-scale mining (Minahang Bayan).
- Global metal prices.
- Foreign exchange rates (PHP vs USD).
- Energy/Fuel prices.
- The continuous Russia-Ukraine war
- The velocity of the anticipated recovery in China's industrial/ manufacturing sectors
- Disruptions in the supply chains of metals
- Geopolitical tensions

**Table 1. Philippines Metallic Mineral Production
Q1 2023 vs. Q1 2022**

Mineral Commodity	Unit Used	JAN-MAR, 2023		JAN-MAR, 2022		% Change	
		Quantity	Value	Quantity	Value	Quantity	Value
Gold	KGS.	8,327	27,739,882,044	7,103	22,079,301,174	17	26
Silver	KGS.	11,327	449,389,024	12,657	499,033,615	(11)	(10)
Copper Concentrate	DMT	64,730	6,516,427,961	64,841	6,192,634,818	(0)	5
Mixed Nickel-Cobalt Sulfide	DMT	18,831	12,256,276,182	19,471	10,711,954,082	(3)	14
Scandium Oxalate	Dry-Kg	4,383	68,688,488	4,694	104,161,522	(7)	(34)
Nickel Direct Shipping Ore	DMT	3,997,829	11,526,067,719	3,792,676	8,087,209,320	5	43
Chromite	DMT	20,496	250,330,260	18,036	161,828,653	14	55
Iron Ore	DMT	33,497	110,522,800	44,133	131,660,507	(24)	(16)
TOTAL			58,917,584,477		47,967,783,691		22.83

