

COVER SHEET

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S.E.C. Registration Number

N I C K E L A S I A C O R P O R A T I O N

(Company's Full Name)

2 8 t h F l o o r , N A C T o w e r , 3 2 n d

S t . B o n i f a c i o G l o b a l C i t y  
T a g u i g C i t y

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

Atty. Barbara Anne C. Migallos  
Atty. Daneia Isabelle F. Palad

Contact Person

896-9357 to 59

Telephone Number of the Contact Person

1 2

Fiscal Year

3 1

SEC Form 20- IS  
Definitive Information Statement

FORM TYPE

Every First Friday of June

Annual Meeting

N/A

Secondary license Type, If Applicable

M S R D

Dept. Requiring this Doc.

n/a

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document I.D.

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Cashier

STAMPS

**NICKEL ASIA CORPORATION**  
**Notice of Annual General Meeting of Stockholders**

TO OUR STOCKHOLDERS:

Please be informed that the **Annual General Meeting of the stockholders** of **NICKEL ASIA CORPORATION** (the "Company") will be held online on **Friday, 3 June 2022 at 10:00 A.M.** and will be presided at the Company's principal office address at the 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila (the "2022 AGM" or the "Meeting"). The time of the Meeting will be announced at a later date. The order of business thereat will be as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 4 June 2021 annual general meeting of stockholders
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2021 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2021
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters
10. Adjournment

A brief statement of the rationale and explanation for each Agenda item which requires shareholders' approval is contained in Annex "A" of this Notice. The Preliminary Information Statement accompanying this Notice contains more detail regarding the rationale and explanation for each of such Agenda items.

**Stockholders of record at the close of business on 24 March 2022 are entitled to notice of, and to vote at, this year's Meeting. Shareholders may only participate via remote communication.**

To register, certificated stockholders who will attend the Meeting should send a scanned copy of one (1) valid government identification card (ID) to [NIKLA-ASM2022@nickelasia.com](mailto:NIKLA-ASM2022@nickelasia.com). Indirect shareholders should send scanned copies of their broker's certification and one (1) valid ID to [NIKLA-ASM2022@nickelasia.com](mailto:NIKLA-ASM2022@nickelasia.com). Deadline for registration is on 23 May 2022, at 12NN.

The Company is not soliciting proxies. Should you be unable to attend the meeting, you can nevertheless be represented and vote at the AGM by submitting a proxy by email to [NIKLA-ASM2022@nickelasia.com](mailto:NIKLA-ASM2022@nickelasia.com), or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila. The deadline for submission of proxies is on 23 May 2022.

Inquiries and/or comments limited to the items in the Agenda of the Meeting may be sent to [NIKLA-ASM2022@nickelasia.com](mailto:NIKLA-ASM2022@nickelasia.com) on or before 2 June 2022. Inquiries and/or comments received after the deadline, or those unrelated to the items in the Agenda of the Meeting shall be referred to the Corporation's proper officer for the appropriate response.

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

**The Rationale and Explanation for each Agenda item requiring shareholders' approval is attached to this Notice.**

**The Definitive Information Statement, Management Report and SEC Form 17-A with 2021 Audited Financial Statements, and Q1 2022 SEC Form 17-Q, accompany this Notice.**

**EXPLANATION AND RATIONALE**  
**For each item on the Agenda of the 2022 Annual General Meeting of**  
**Stockholders of Nickel Asia Corporation**  
**requiring the vote of stockholders**

## AGENDA

**1. Call to Order**

The Chairman will formally open the 2022 Annual General Meeting of Stockholders. The Directors and Officers of the Company will be introduced.

**2. Proof of required notice of the meeting**

The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents with its accompanying documents have been duly provided in accordance with SEC Rules, within the required periods, to stockholders of record as of 24 March 2022.

**3. Certification of quorum**

The Corporate Secretary will attest whether a quorum is present for the meeting.

**4. Reading and approval of the Minutes of the 4 June 2021 annual general meeting of stockholders, and action thereon**

Shareholders may examine the Minutes of the 4 June 2021 annual general meeting of stockholders, in accordance with Sec. 73 of the Revised Corporation Code. The Minutes are also available on the Company's website.

**Resolution to be adopted:**

Shareholders will vote for the adoption of a resolution approving the Minutes of the 4 June 2021 annual general meeting of stockholders.

**5. Presentation of annual report and audited financial statements for the year ended 2021 and action thereon**

The annual report and the financial statements of the Company, audited by the Company's external auditors, Sycip Gorres Velayo & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Definitive Information Statement and the Audited Financial Statements for 2021 are likewise made available on the Company's website ([www.nickelasia.com](http://www.nickelasia.com)).

**OPEN FORUM.** After the report, inquiries submitted by stockholders on or before 2 June 2022 via email as stated in the Notice will be answered by the appropriate officer. Due to time considerations, questions not addressed at the meeting will be responded to via email.

**Resolution to be adopted:**

Shareholders will vote for the adoption of a resolution approving the annual report and the audited financial statements for the year ended 2021.

**6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2021**

Actions by the Board and by the officers are contained in the Definitive Information Statement (please see pages 31-33 of the Information Statement) or are referred to in the Management Report.

**Resolution to be adopted:**

The ratification and approval of the acts of the Board of Directors and Officers.

**7. Appointment of independent auditors**

The Audit and Risk Committee screened the nominees for independent external auditor and endorsed the appointment of Sycip Gorres Velayo and Company (“SGV”) as the Company’s independent external auditors for the year 2022.

**Resolution to be adopted:**

Shareholders will vote on a resolution for the appointment of SGV as independent external auditor of the Company for 2022.

**8. Election of directors, including independent directors**

The Final List of Candidates for election as directors, as prepared by the Nominations Committee in accordance with the Company’s By-Laws, the Revised Manual on Corporate Governance, the Securities Regulation Code and its Implementing Rules and Regulations and SEC guidelines for the election of independent directors, is contained in the Definitive Information Statement (please see page 11). The Final List will be presented to the shareholders, and the election of directors will be held.

The Voting Procedure is stated in the Definitive Information Statement (please see pages 32-33).

**9. Other matters**

Matters that are relevant to and appropriate for the annual general shareholders’ meeting may be taken up. No resolution, other than the resolutions explained in the Notice and the Definitive Information Statement, will be submitted for voting by the shareholders.

**10. Adjournment**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter: **NICKEL ASIA CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **CS200811530**

5. BIR Tax Identification Code: **007-085-191-000**

6. **28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City,**  
**Taguig City, Metro Manila** **1634**  
Address of principal office Postal Code

7. Registrant's telephone number, including area code: **+63 2 8798 7622**

8. Date, time and place of the meeting of security holders:

**Date : 03 June 2022**  
**Time : 10:00 A.M.**  
**Place : The meeting will be presided at the 28<sup>th</sup> Floor, NAC Tower,  
32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **13 May 2022**

10. In case of Proxy Solicitations: **NOT APPLICABLE**

Name of Person Filing the Statement/Solicitor:  
Address and Telephone Number:

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

<b>Common Stock Issued</b>	<b>13,685,272,117</b>
<b>Preferred Stock Issued</b>	<b>720,000,000</b>
<b>Long-term Debt</b>	<b>₱956.359 million</b> <b>(as of 31 December 2021)</b>

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

If so, disclose the name of Exchange: **The Philippine Stock Exchange, Inc.**

**PART I.**  
**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders**

The Annual General Meeting (the “2022 AGM” or the “Meeting”) of the Stockholders of Nickel Asia Corporation, a corporation organized and existing under the laws of the Philippines with principal office address at the 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila (the “Company”) will be held on **Friday, 3 June 2022, at 10:00 A.M.** and will be presided at the Company’s principal office address provided above. The time of the meeting will be provided at a later date. Stockholders may attend the meeting and participate by remote communication only.

The Agenda of the 2022 AGM, as indicated in the accompanying Notice of Annual General Meeting of Stockholders, is as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 4 June 2021 annual general meeting of stockholders
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2021 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2021
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters
10. Adjournment

Shareholders may only participate via remote communication.

Voting procedures are contained in Item 19 (pages 33-34) of this Information Statement and will be stated at the start of the 2022 AGM. Cumulative voting is allowed; please refer to Item 4, (page 3) for an explanation of cumulative voting.

The Management Report, the Securities Exchange Commission (“SEC”) Form 17-A with the Audited Financial Statements for the year ended 31 December 2021, and SEC Form 17-Q for the first quarter of 2022, are attached to this Information Statement. Said reports are also uploaded to the Company’s website. Upon written request of a shareholder, the Company shall furnish such shareholder with a printed copy of the said reports, as filed with the SEC, free of charge. The contact details for obtaining such copies are on page 36 of this Information Statement. This Information Statement, Proxy Form, and attachments shall be available to security holders on or before 13 May 2022.

Further information and explanation regarding specific agenda items, where appropriate, are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

**WE ARE NOT SOLICITING PROXIES. SHAREHOLDERS MAY APPOINT PROXIES IF THEY ARE UNABLE TO ATTEND THE MEETING SO THAT THEIR VOTE MAY BE COUNTED.**

## **Item 2. Dissenters' Right of Appraisal**

Title X, Section 80 of the Revised Corporation Code of the Philippines grants in favor of the stockholder the right to dissent and demand payment of the fair value of his shares in certain instances, to wit:

- (1) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) in case of the sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets;
- (3) in case of merger or consolidation; or
- (4) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

None of the proposed corporate actions to be discussed at the forthcoming Stockholders' Meeting qualifies as an instance for the exercise of the appraisal right by any stockholder.

## **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Apart from election to office, none of the incumbent Directors Executive Officers of the Company or any associate of the foregoing have any substantial interest, direct or indirect, by security holding or otherwise, in any matter to be acted upon in the Meeting.

The Company has not received any information from any Director that he/she intends to oppose any matter to be acted upon in the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

As of 31 March 2022, the Company has 13,685,272,117 issued and outstanding common shares and 720,000,000 issued and outstanding preferred shares. Out of the outstanding common shares, 54,422,000 are treasury shares.

Out of the 13,630,850,117 outstanding common shares of the Company, 62.36% are owned by Filipinos, while 37.64% are owned by non-Filipinos.

Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 24 March 2022 may vote the number of shares registered in his name for each of the nine (9) directors to be elected; or he may multiply the number of shares registered in his name by nine (9), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the nine (9) directors to be elected.

Voting Procedures are stated in pages 33-34 of this Information Statement.

All stockholders of record as of the close of business on 24 March 2022 are entitled to notice of, and to vote at, the 2022 AGM. A stockholder entitled to vote at the meeting shall have the right to online by sending an online form via email, or by proxy.

Security ownership of certain record and beneficial owners (more than 5% of voting securities) as of 31 March 2022 (latest available date):

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Class</b>
Common	PCD Nominee Corporation (Filipino)	See Note 1 See Note 3	Filipino	7,361,246,322	54.00%
Common	PCD Nominee Corporation (Non-Filipino)	See Note 1 See Note 3	Non-Filipino	2,530,334,383	18.56%
Common	Sumitomo Metal Mining Philippine Holdings Corporation	Registered and Beneficial Owner:  Sumitomo Metal Mining Philippine Holdings Corporation See Note 1	Filipino	2,600,384,267 (direct)	26.52%
		Registered Owner: PCD Nominee Corporation  Beneficial Owner: Sumitomo Metal Mining Philippine Holdings Corporation  See Note 1		1,014,013,620 (indirect)	
	Mantra Resources Corporation	Registered Owner: PCD Nominee Corporation  Beneficial Owner: Mantra	Filipino	3,545,743,602 (indirect)	26.01%



		Resources Corporation <i>See Note 1</i>			
	Ni Capital Corporation	Registered Owner: PCD Nominee Corporation  Beneficial Owner: Ni Capital Corporation  <i>See Note 1</i>	Filipino	1,830,296,491 (indirect)	13.43%
Preferred	Nickel Asia Holdings, Inc.	Beneficial Owner: Nickel Asia Holdings, Inc. <i>See Note 2</i>	Filipino	720,000,000 (direct)	100%

- (1) PCD Nominee Corporation (“PCD”), the nominee of the Philippine Depository & Trust Corporation, is the registered owner of the shares in the books of the Company’s transfer agent. The beneficial owners of such shares are PCD’s participants who hold the shares on their own behalf, or in behalf of their clients.

PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines

The 3,545,743,602 shares of Mantra Resources Corporation, 1,830,296,491 shares of Ni Capital Corporation, and 1,014,013,620 shares of Sumitomo Metal Mining Phil. Holdings Corp. (SMM Phil) are lodged under PCD Nominee Corporation (“PCD”) Filipino Account.

- (2) The stockholders of Nickel Asia Holdings, Inc. include Mr. Manuel B. Zamora, Jr., Mr. Philip T. Ang and Mr. Luis J.L. Virata.
- (3) Except as stated above, the Company has no knowledge of any person or any group who, directly or indirectly, is the beneficial owner of more than 5% of the Company’s outstanding shares or who has a voting power, voting trust or any similar agreement with respect to shares comprising more than 5% of the Company’s outstanding common stock.

Proxies of the foregoing record owners for the Annual General Stockholders’ Meeting on 3 June 2022 have not yet been submitted. The deadline set by the Board of Directors for submission of proxies is on 23 May 2022.

## (a) Security Ownership of the Directors and Management as of 31 March 2022:

Name of Beneficial Owner	Citizenship	Title of Class	Amount and Nature of Beneficial Ownership		Total direct & indirect shares	% to Total Outstanding Shares
			Direct	Indirect		
Philip T. Ang	Filipino	Common	100	3,174,667	3,174,767	0.02
Gerard H. Brimo	Filipino	Common	23,047,282	3,672,727	26,720,009	0.2
Luis J. L. Virata	Filipino	Common	1	-	1	0
Martin Antonio G. Zamora	Filipino	Common	540	5,515,671	5,516,211	0.04
Masahiro Kamiya	Japanese	Common	2,023	-	2,023	0
Yusuke Niwa	Japanese	Common	2,023	-	2,023	0
Angelo Raymundo Q. Valencia	Filipino	Common	10,000	5,000	15,000	0
Jaime J. Bautista	Filipino	Common	2,000	-	2,000	0
Maria Patricia Z. Riingen	Filipino	Common	1,000	910,800	911,800	0.01
Jose Bayani D. Baylon	Filipino	Common	-	200	200	0
Rommel L. Cruz	Filipino	Common	-	-	-	0
Rolando R. Cruz	Filipino	Common	614,952	1,085,962	1,700,914	0.01
Koichi Ishihara	Japanese	Common	-	-	-	0
Georgina Carolina Y. Martinez	Filipino	Common	-	7,000	7,000	0
Gerardo Ignacio B. Ongkingco	Filipino	Common	-	-	-	0
Barbara Anne C. Migallos	Filipino	Common	-	-	-	0
Ma. Angela G. Villamor	Filipino	Common	-	972,554	972,554	0.01
Romeo T. Tanalgo	Filipino	Common	-	-	-	0
Jeffrey B. Escoto	Filipino	Common	-	-	-	0
Marnelle A. Jalandon	Filipino	Common	-	-	-	0
Ryan Rene C. Jornada	Filipino	Common	-	259,600	259,600	0
Iryan Jean U. Padillo	Filipino	Common	-	4,500	4,500	0
Patrick S. Garcia	Filipino	Common	-	34,333	34,333	0
Christopher C, Fernandez	Filipino	Common	-	-	-	0

Rodrigo V. Gazmin, Jr.	Filipino	Common	-	-	-	0
Bimbo T. Almonte	Filipino	Common	-	-	-	0
Salvador C. Cabauatan	Filipino	Common	-	1,000	1,000	0
Remedios C. Camo	Filipino	Common	-	-	-	0
Ma. Fatima C. Mijares	Filipino	Common	-	-	-	0
Arnilo C. Milaor	Filipino	Common	-	-	-	0
Christine Joanne C. Navarro	Filipino	Common	-	-	-	0
Teody A. Pascual	Filipino	Common	-	-	-	0
Jessie A. Payuyo	Filipino	Common	-	121,600	121,600	0
Kristine Grace C. Victoria	Filipino	Common	-	-	-	0
<b>Total</b>			<b>23,679,921</b>	<b>15,765,614</b>	<b>39,445,535</b>	<b>0.29</b>

(b) The Corporation has no stockholder of record holding more than 5% of the Corporation's common stock under a voting trust agreement.

(c) There are no arrangements which may result in a change in control of the Corporation

**Item 5. Directors and Executive Officers**

(a) List of Directors and Executive Officers of Issuer

The names of the incumbent directors of the Company as of 31 March 2022, their respective ages, citizenship, and period of service are as follows:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>	<b>Date First Elected</b>	<b>Date Last Elected</b>	<b>No. of Years served as Director</b>
Gerard H. Brimo	70	Philippine National	Executive Director, Chairman of the Board of Directors	August 1, 2009	June 4, 2021	12 years and 8 months
Philip T. Ang	80	Philippine National	Executive Director and Vice Chairman	July 11, 2008	June 4, 2021	13 years and 8 months
Martin Antonio G. Zamora	49	Philippine National	Executive Director, President and Chief Executive Officer (CEO)	June 16, 2010	June 4, 2021	8 years and 9 months
Jaime J. Bautista	65	Philippine National	Lead Independent Director	June 4, 2021	June 4, 2021	10 months

Luis J. L. Virata	68	Philippine National	Non-Executive Director	July 11, 2008	June 4, 2021	13 years and 8 months
Masahiro Kamiya	62	Japanese National	Non-Executive Director	August 7, 2018	June 4, 2021	3 years and 7 months
Yusuke Niwa	54	Japanese National	Non-Executive Director	August 5, 2021	August 5, 2021	8 months
Maria Patricia Z. Riingen	56	Philippine National	Non-Executive Director	May 20, 2019	June 4, 2021	2 years and 10 months
Angelo Raymundo Q. Valencia	54	Philippine National	Independent Director	May 8, 2020	June 4, 2021	1 year and 10 months

The incumbent directors of the Company as of 31 March 2022, their respective ages, directorships in other companies, and positions held for the last five (5) years are as follows:

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

Listed companies of which Mr. Brimo is presently a director

**Philippines**

1. Nickel Asia Corporation
2. Security Bank Corporation (Independent)

**2) PHILIP T. ANG** is the Vice Chairman of the Company. He is the Vice Chairman of RTN and TMC and a Director of CMC, HMC, DMC, CExCI, Newminco, CDTN, and EPI. He was previously involved in the textile business as Chairman and President of Solid Mills, Inc. and Unisol Industries and Manufacturing Corp., and as a Director of Investors Assurance Corp. and International Garments Corp. He received his Bachelor of Science in Business Administration degree from Oregon State University and his Master of Business Administration (MBA) degree from the University of Denver, USA.

Listed companies of which Mr. Ang is presently a director

**Philippines**

1. Nickel Asia Corporation

**3) MARTIN ANTONIO G. ZAMORA** is the President and CEO of the Company. He is the President of all the mining subsidiaries of the Company and the Chairman of the Board of Directors of EPI and its subsidiaries. Before joining NAC in 2007, Mr. Zamora was the

Philippine Country Manager and a Director of UPC Renewables, a global developer, owner and operator of wind farms and solar facilities. Prior to that, he worked for ten (10) years for finance and investment banking firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SGV & Co. He received his Bachelor of Science in Management from Ateneo de Manila University (Philippines), his MBA from London Business School (UK), and his Masters in Organizational Psychology from INSEAD

Listed companies of which Mr. Zamora is presently a director

**Philippines:**

1. Nickel Asia Corporation

**4) JAIME J. BAUTISTA** was first elected as an Independent Director of the Company on June 4, 2021. He is the Lead Independent Director, Chairman of Audit Committee and a member of the Board Risk Oversight, Corporate Governance, and Related Party Transactions Committees. He started his career as Staff Auditor of SGV & Co., before he joined the Lucio Tan Group (LTG) of Companies in 1980 occupying various management positions in the group. In 1993, the LTG became the majority shareholder of Philippine Airlines (PAL) and Mr. Bautista was appointed as Vice President - Comptroller in 1993 and was promoted to Senior Vice President and Chief Finance Officer of PAL in 1994, Executive Vice President in 1998 and President in 2004. He occupied the position of President until he retired in 2012. Mr. Bautista remained as consultant and adviser of various LTG companies. In 2014, he was appointed again as President of PAL until his second retirement on June 30, 2019. Mr. Bautista used to be a member of the board of various companies in the LTG, namely Macroasia Corp., Macroasia Airport Services Corp., Macroasia Catering Services Corp., Macroasia Properties Development Corporation, Eton Properties Development Corp., PNB Forex, Inc., Air Philippines, Inc., Asian Alcohol Corp. and other various holding companies of the Group. At present, he is the Vice Chairman of the Board of Trustees of the Philippine Eagle Foundation, Inc., member of the Board of Trustees of the University of the East, member of the Board of Trustees of UE Ramon Magsaysay Medical Memorial Center, member of the Board of Trustees of International School of Sustainable Tourism, member of the Board of Directors of Air Speed International Inc., Alphaland Corp., Gothong Southern Shipping, Inc., Cosco Capital, Inc. (Puregold and S&R), and Philippine Bank of Communications. He is an active member of the Financial Executives of the Philippines and the Rotary Club of Makati West. He is also the President of SKAL Makati International, a Philippine, regional and international tourism organization. Mr. Bautista is a recipient of several management and tourism awards by various Philippine and International Organizations. Mr. Bautista graduated from Colegio de San Juan de Letran, Magna Cum Laude in 1977 with a degree of Bachelor of Science in Commerce. He is a Certified Public Accountant. He was also conferred Doctor of Philosophy in Humanities (Honoris Causa) by the Central Luzon State University on August 8, 2018.

Listed companies of which Mr. Bautista is presently a director

1. Nickel Asia Corporation (Independent Director)
2. Cosco Capital, Inc.

**5) MARIA PATRICIA Z. RIINGEN** was first elected as a Director of the Company on May 20, 2019. She is the President of Manta Equities, Inc (Manta) and Manta Foundation, Inc and a Director of Mantra Resources, Inc. She is also a Director of EPI. Prior thereto, she held various positions with the Western Union Company, and was the Senior Vice President and Regional Head for Asia Pacific. Her other previous roles were as Executive Director and a member of the Board of Directors at the Asian Development Bank, Vice President at Citibank N.A., and Brand Manager of Procter & Gamble. She is a member of the Young President's

Organization (YPO). She was among Asia's Top 20 People in Cash Management selected by Finance Asia in 2011 for being one of the region's most influential power players and up-and-coming executives in the cash management industry. In 2013, Ms. Riingen was recognized as one of the 100 Most Influential Filipinas in the World for her accomplishments as a Filipina senior executive working in a global company. In the same year, she received the Pinnacle Group's CSR Award for spearheading a range of initiatives for better access to financial services in the Philippines. Ms. Riingen obtained her Bachelor of Science degree in Business Administration, major in Marketing, Magna Cum Laude, from the University of the Philippines.

Listed companies of which Ms. Riingen is presently a director:

**Philippines:**

1. Nickel Asia Corporation

**6) LUIS JUAN L. VIRATA** is a Director of the Company. He is the founder and Chairman of Amber Kinetics Philippines, Inc. He is also Chairman Emeritus of Exchange Equity Partners Group Corporation, Chairman of Cavitex Holdings, Inc., Vice President of Exchange Properties Resources Corp., and a Director of Benguet Corporation. He is also a Founder and Trustee of Asia Society Philippine Foundation and the Metropolitan Museum of Manila and is a member of the Huntsman Foundation. Mr. Virata previously held positions with Dillon, Read and Co., Crocker National Bank, Bankers Trust Company, Philippine Airlines, NSC Properties, Inc., the Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp. He received his Bachelor of Arts and Master of Arts degrees in Economics from Trinity College, Cambridge University and his Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Listed companies of which Mr. Virata is presently a director:

**Philippines:**

1. Nickel Asia Corporation
2. Benguet Corporation

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

Listed Companies of which Mr. Valencia is a Director:

**Philippines:**

1. Nickel Asia Corporation (Independent)

**8) MASAHIRO KAMIYA** was first elected as a Director of the Company on August 7, 2018. He is the Chairman of the Related Party Transactions Committee and is a member of the Audit and Nominations Committees of the Board of Directors. Mr. Kamiya is the President of SMMPHC, CBNC and THNC. He was an Executive Officer and the Senior Deputy General Manager of Non-Ferrous Metals Division of SMM from June 2017 until May 16, 2019. Mr. Kamiya has held various positions within the SMM Group since he joined the same in April 1982. He was the President and Representative Director of Hyuga Smelting Co. Ltd., a subsidiary of SMM, from April 2016 until May 2019, and was also the General Manager of the Administration Department of the Taganito Project Division from September 2010 until March 2016. Prior thereto, he was the Executive Vice President of CBNC from February 2007 to August 2010, and was the Manager of the Ferro Nickel Section, Nickel Sales & Raw Materials Department of SMM from January 2002 to January 2007. He was also the General Manager of Sumitomo Metal Mining Oceania Pty. Ltd. From April 1998 to December 2001. Mr. Kamiya obtained his Bachelor of Arts in Political Science and Economics from Waseda University in Tokyo, Japan.

Listed companies of which Mr. Kamiya is presently a director

**Philippines:**

1. Nickel Asia Corporation

**9) YUSUKE NIWA** is the General Manager of the Nickel Sales and Raw Materials Department, Non-Ferrous Metals Division of SMM. He has more than thirty (30) years of experience in SMM's non-ferrous metals and materials businesses, specializing in the fields of accounting, project management and administration. He likewise held significant posts relative to the Sierra Gorda copper mine of SMM in Chile. Mr. Niwa is also an incumbent director of the Company's affiliates, THNC, CBNC and Nickel Asia Holdings, Inc. He obtained his Bachelor of Science degree in Political Science and Economics from Waseda University in Tokyo, Japan..

Listed companies of which Mr. Higo is presently a director

**Philippines:**

1. Nickel Asia Corporation

None of the foregoing directors has resigned or declined to stand for re-election to the board of directors since the 2021 Annual General Meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices. No director has furnished the Company with a letter describing such disagreement and requesting that the matter be disclosed.

**Process and Criteria for Selection of Nominees for Directors**

The Board of Directors set 18 April 2022 as the deadline for the submission of nominations for election to the Board of Directors.

The Nominations Committee composed of Messrs. Angelo Raymundo Q. Valencia, Martin Antonio G. Zamora, and Masahiro Kamiya, screened the nominees for election to the Board of Directors in accordance with the Company's Revised Manual on Corporate Governance. The Committee will assess the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board.

In the case of the independent directors, the Committee will review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Revised Manual of Corporate Governance, the Securities Regulation Code ("SRC"), and the SRC Implementing Rules and Regulation

**Nominees for Election at Annual Stockholders' Meeting on 3 June 2022.**

The Nominations Committee met on 20 April 2022 and screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors. The Final List of Candidates for election to the Board of Directors are as follows:

1. Gerard H. Brimo
2. Martin Antonio G. Zamora
3. Luis J. L. Virata
4. Maria Patricia Z. Riingen
5. Masahiro Kamiya
6. Yusuke Niwa
7. Jaime J. Bautista (Independent Director)
8. Angelo Raymundo Q. Valencia (Independent Director)
9. Harvey T. Ang

The nominees are all incumbent Directors, except for Mr. Harvey T. Ang. Mr. Philip T. Ang, who is not seeking re-election. The experience and background of Mr. Harvey T. Ang are as follows:

**Harvey T. Ang, 49 years old, Filipino Citizen**

Mr. Harvey T. Ang is the President of Yeeloo Development Corporation. Prior thereto, he was Business Development Manager of Exchange Properties Resources Corporation from July 2004 to July 2007. He was also the Export Director of Solid Mills, Inc. from July 1999 to October 2003. Aside from his experience in the real estate and textile industries, he has had significant experience in the logistics and retail and marketing industries. Mr. Ang obtained his Bachelor of Science in Management, minor in Legal Management, from the Ateneo De Manila University.

The Company complied with the guidelines on the nomination and election of independent directors prescribed in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. Mr. Valencia was nominated by Mr. Ryan Rene C. Jornada. Mr. Bautista was nominated by Mr. Fulgencio M. Factoran III. Both nominees have accepted their nominations in writing. There are no relationships between the foregoing nominees for independent director and the persons who nominated them.

The following table sets forth information regarding the Company's Executive Officers:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position as of December 31, 2021</b>	<b>Position as of March 10, 2022</b>
Aloysius C. Diaz	73	Philippine National	Senior Vice President - Production	N/A



Georgina Carolina Y. Martinez	55	Philippine National	Senior Vice President - Compliance and Corporate Support Services; Chief Compliance Officer; Chief Governance Officer; Assistant Corporate Secretary	Senior Vice President - Compliance and Corporate Support Services; Chief Compliance Officer; Chief Governance Officer; Assistant Corporate Secretary
Maria Angela G. Villamor	56	Philippine National	Senior Vice President - Finance and Revenue Management Group; Chief Financial Officer	Senior Vice President - Finance and Revenue Management Group; Chief Financial Officer
Jose Bayani D. Baylon	59	Philippine National	Vice President - Corporate Communications; Officer-in-Charge of Public and Social Affairs Group	Vice President - Public and Social Affairs Group
Rolando R. Cruz	61	Philippine National	Vice President - Research and Technology, Innovations and Corporate Special Projects; Officer-in-Charge of Strategic Development and Growth Group	Vice President - Corporate Planning and Revenue Assurance
Rommel L. Cruz	58	Philippine National	Vice President and Head of Operations of Dinapigue Mining Corporation, Hinatuan Mining Corporation - Manicani Nickel Project, and CDTN Services Company Inc.	Vice President - Mine Strategic Planning and Officer-in-Charge, Vice President - Revenue Generation
Christopher C. Fernandez	58	Philippine National	Vice President - Information and Communications Technology	Vice President - Information and Communications Technology
Koichi Ishihara	48	Japanese National	Vice President - Sales, and Purchasing and Supply Chain Management	Vice President - Mine Services Group
Maria Fatima C. Mijares	54	Philippine National	N/A	Vice President - Human Resources
Gerardo Ignacio B. Ongkingco	63	Philippine National	Vice President - Human Resources Data Protection Officer	Vice President - NAC Development Center

Romeo T. Tanalgo	60	Philippine National	Vice President - Security and Administrative Services; Chief Risk Officer; Officer-in-Charge of Risk and Assurance Group	Vice President - Security and Administrative Services; Chief Risk Officer; Officer-in-Charge of Risk and Assurance Group
Bimbo T. Almonte	40	Philippine National	N/A	Assistant Vice President - Occupational Health
Salvador C. Cabauatan	57	Philippine National	N/A	Assistant Vice President - General Administrative Services
Remedios C. Camo	36	Philippine National	N/A	Assistant Vice President - Industrial Safety and Officer-in-Charge, Assistant Vice President - Environment
Jeffrey B. Escoto	46	Philippine National	Assistant Vice President - Technical Services	Assistant Vice President Technical Services, Mine Services
Patrick S. Garcia	48	Philippine National	Assistant Vice President - Internal Audit; Chief Audit Executive	Assistant Vice President - Internal Audit; Chief Audit Executive
Rodrigo G. Gazmin, Jr.	61	Philippine National	Assistant Vice President - Purchasing and Supply Chain Management	Assistant Vice President - Material Management, Mine Services
Marnelle A. Jalandoon	51	Philippine National	Assistant Vice President - Business Applications	Assistant Vice President - Business Applications
Ryan Rene C. Jornada	43	Philippine National	Assistant Vice President - Public Affairs	Assistant Vice President - Public and Social Affairs Sector
Arnilo C. Milaor	62	Philippine National	N/A	Officer-in-Charge - Mine Production
Christine Joanne C. Navarro	41	Philippine National	N/A	Assistant Vice President - Legal and Data Protection Officer
Iryan Jean U. Padillo	40	Philippine National	Assistant Vice President - Accounting and Finance Reporting Sector	Officer-in-Charge, Assistant Vice President - Accounting and Financial Reporting Center
Teody A. Pascual	57	Philippine National	N/A	Assistant Vice President - Service

				Management
Jessie A. Payuyo	46	Philippine National	N/A	Assistant Vice President - Accounting and Financial Reporting
Kristine Grace C. Victoria	34	Philippine National	N/A	Assistant Vice President - Geologic Management
Barbara Anne C. Migallos	66	Philippine National	Corporate Secretary	Corporate Secretary

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

1) **ALOYSIUS C. DIAZ** was the Senior Vice President for Production from April 1, 2021 until his retirement on January 31, 2022. He was Vice President and Head of Production Operations of the Taganito and Cagdianaomines of the Company until March 31, 2021. Engr. Diaz is a Licensed Mining Engineer and Geologist with over 45 years' experience in surface mining and exploration, six (6) years of which were spent in a surface copper mine in Africa and coal mines in Indonesia. He started working with TMC as Resident Mine Manager in 2015. Prior to joining TMC, he worked as Project Director of a gold mining company charged with the rehabilitation of an old underground gold mine. He was a Chief Operating Officer of a large mining contractor with a nickel mining operation in Northern Mindanao. He is a Competent Person for Open Pit Copper and Coal. He is the President of the CARAGA Chamber of Mines. Mr. Diaz received his Bachelor of Science in Mining Engineering and Bachelor of Science in Geology degrees from Adamson University.

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

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

4) **JOSE BAYANI D. BAYLON** is the Vice President - Public and Social Affairs Group. He is the President of RTN Foundation, Inc. and NAC Foundation, Inc. He is also a Director of EPI, JSI, MGPC, BHI and NPPGC. Mr. Baylon has over two (2) decades of experience in the field of corporate communications and public affairs. Before joining NAC, he was Vice

President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for nine (9) years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001-2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001. Mr. Baylon obtained his Bachelor of Arts in Political Science degree from the University of the Philippines.

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

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

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

8) **KOICHI ISHIHARA**, is the Vice President - Mine Services Group effective March 10, 2022. He was the Vice President, Head of the Sales Sector and the Supply Chain and Management Sector from January 1, 2021 until March 9, 2022. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of PAMCO, handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant. Mr. Ishihara received his Bachelor's Degree in English

Language from Kanda University of International Studies, Japan.

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

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

**11) ROMEO T. TANALGO**, Vice President, Officer-in-Charge of the Risk and Assurance Group, and the Head of the Security, Administrative Services, and the Risk Management Sectors of the Company. He is also the Chief Risk Officer. He was the consultant of the Company for security matters from May 1, 2019 until his appointment as Vice President on August 6, 2019. He was the Chief of the Armed Forces of the Philippines (AFP) North Luzon Command from March 10, 2016 until his retirement in September 4, 2017. Prior thereto, he was appointed as AFP Vice Chief of Staff on October 20, 2015. He also served as Commandant, Philippine Marine Corps from April 2013 to December 2015. Gen. Tanalgo is a member of the Philippine Military Academy "Matikas" Class of 1983 and obtained his Masters degree in Development Management from the Asian Institute of Management and his Masters degree in Maritime Studies from the University of Wollongong in Australia.

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

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

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

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

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

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

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

**19) RYAN RENE C. JORNADA** is the Assistant Vice President - Public and Social Affairs Sector. Before assuming this expanded role effective March 10, 2022, he was head of the Public Affairs Sector. His previous roles in the Company include Head of Government

Relations and Head of Regulatory and Claims Management. Prior to joining the Company in 2011, he was an associate in the law firm of Belo Gozon Elma Parel Asuncion and Lucila and was an Election Assistant for the Commission on Elections and Political Affairs Officer of the Congressional Representative of the 2<sup>nd</sup> District of Iloilo. A member of the Philippine Bar, Mr. Jornada obtained his Bachelor of Laws degree from the University of Santo Tomas.

**20) ARNILO C. MILAOR**, Officer-in-Charge - Mine Production, was previously the Assistant Vice President and Resident Mine Manager of CMC for almost six (6) years, and Resident Mine Manager of HMC for one (1) year before being assigned to CMC. He worked at the MGB for almost twenty eight (28) years and was Division Chief of MGB's Mining Environment and Safety Division before becoming Resident Mine Manager of HMC. He was also appointed by the DENR Secretary during his MGB years as Chairman of the Provincial Mining Regulatory Board of Romblon Province. Engr. Milaor obtained his Bachelor of Science in Mining Engineering from Mapua Institute of Technology.

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

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

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

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

**25) KRISTINE GRACE C. VICTORIA**, Assistant Vice President - Geologic Management, was the Resource Geology Manager of the Company prior to her promotion. She also served as a Resource Geologist in HMC. Prior thereto, she was employed as the Exploration Geologist of FSMRC/Consolidated Mines Inc. She is a licensed Geologist and placed 8th in Geology Licensure Examination. She is the youngest Competent Person in the Philippines to be accredited by Philippine Mineral Reporting Code Committee and Geological Society of the Philippines for Exploration and Mineral Reporting of Nickel Laterites. She obtained her

Bachelor of Science in Geology, Cum Laude, from University of the Philippines and Management Development Program from Asian Institute of Management.

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

**(b) Significant Employees**

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

**(c) Family Relationships**

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

**(d) Involvement in Certain Legal Proceedings**

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding during the past five (5) years, including without limitation being the subject of any:

- a. bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- b. conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- c. order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
- d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation,

**(e) Certain Relationships and Related Transactions**

The Company's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, and account balances are listed below:



#### Nickel Ore Sale Agreements with PAMCO

The Group supplies saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company, RTN and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME. Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per WMT of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

#### Nickel Ore Sale Agreement with PAMCO and Sojitz

RTN supplies saprolite ore to PAMCO, wherein PAMCO appointed Sojitz as agent under a sale agreement, which shall be valid and in effect until December 2020. By the end of the third (3rd) year, RTN and PAMCO shall jointly assess whether the commercial production of ore at the mine is still possible. Unless the commercial production becomes impossible due to the exhaustion of ore reserves in the mine, RTN, PAMCO and Sojitz shall renew the agreement with five (5) years term, or from January 1, 2019 to December 31, 2023. PAMCO owns 36% and Sojitz owns 4% of the outstanding shares in the capital stock of RTN.

#### Nickel Ore Supply Agreement with Big Wave Resources Co., Limited (Big Wave)

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

#### Nickel Ore Supply Agreement with Mitsubishi Corporation RTM International Pte., Ltd. and Mitsubishi Corporation RTM Japan Ltd. (Mitsubishi)

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

#### Nickel Ore Sale Agreement with SMM

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

#### Nickel Ore Supply Agreement with CBNC

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

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

#### Nickel Ore Supply Agreement with THNC

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

#### Service Agreements with CBNC

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

#### Materials Handling Agreement with THNC

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

#### Materials Supply Agreement with THNC

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

#### Funding Commitment with THNC

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

#### THNC Stockholder's Agreement

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

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

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

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

#### Throughput Agreement with THNC

On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development

pursuant to Proclamation 391, under the supervision of the DENR that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

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

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

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

#### Memorandum of Understanding

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

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

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

The THNC Stockholders' Agreement also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US\$1,420.0 million, which further increased to US\$1,590.0 million, project investment undertaken by THNC.

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

The THNC Agreement shall terminate upon the dissolution of THNC.

#### Loan Guarantee/Substitution Agreement

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company in extending loans or guaranteeing the repayment of THNC pursuant to the THNC Stockholders' Agreement.

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

On January 26, 2015, December 18 and December 3, 2013, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreements made and entered by THNC and SMM on August 4, 2014, December 3 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

On October 8, 2020, the Parent Company and SMM agreed to amend the loan guarantee/substitution agreement to reduce the annual fee to 0.60% of the average unpaid balance for payment's due every 21st of February, March, August and September of each year. However, in consideration of the MUFG Bank Ltd. (formerly known as The Bank of Tokyo - Mitsubishi UFJ, Ltd.) substitution, the annual fee is 1% for any payments due before September 21, 2020, which is the effective date of the amendment, and 0.60% for any payments due thereafter.

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

#### Loan Agreements

##### *THNC*

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

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

##### *TBEA*

In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US\$2.2 million to be used for the Phase 3A - 30MW solar project. The interest on the loan of 5% p.a. and the principal amount are payable on June 17, 2025, the maturity date of the loan.

On September 23, 2021, NAC, JSI, EPI and TBEA executed the Supplemental Agreement on Shareholder Advances to agree on the shareholder advances for JSI's development of Phase 3B - 38MW. Under the terms of the Supplemental Agreement, TBEA

grants JSI a loan facility amounting to US\$2.9 million subject to 5% interest p.a. The loan principal and interest are payable within five (5) years from the date of remittance to JSI.

#### Lease Agreements

##### *THNC*

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

##### *Manta*

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties.

The lease agreement expired in May 2018 and was renewed for another period of five (5) years or until May 2023. Moreover, additional parking and office spaces were leased from Manta which were covered by separate lease agreements.

Notes 15, 34 and 40 of the Notes to Consolidated Financial Statements of the Exhibits in Part IV is incorporated hereto by reference.

#### **Item 6. Compensation of Directors and Executive Officers**

Directors' net compensation is on a per diem basis as follows:

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

The total compensation of each of the Directors on a per diem basis for 2021, is as follows:

Name	Total Compensation (per diem) for 2021 (PhP)
Philip T. Ang	88,888.88
Jaime J. Bautista	400,000.00
Gerard H. Brimo	88,888.88
Frederick Y. Dy	825,000.00
Masahiro Kamiya	144,444.43

<b>Name</b>	<b>Total Compensation (per diem) for 2021 (PhP)</b>
Patricia Z. Riingen	55,555.55
Angelo Raymundo Q. Valencia	1,150,000.00
Luis Juan J. Virata	55,555.55
Martin Antonio G. Zamora	99,999.99

Currently, there are no arrangements for additional compensation of directors. Officers of the Company receive such remuneration as the Board may determine upon recommendation of the Corporate Governance Committee. The following table shows the compensation of the directors and officers for the past two completed fiscal years and estimated to be paid for the ensuing fiscal year:

<b>SUMMARY OF COMPENSATION TABLE (In Thousands)</b>		
<b>DIRECTORS</b>		
	<u>Year</u>	<u>Directors' Fee</u>
	2022 (estimated)	₱4,439
	2021	2,733
	2020	2,375

The following table identifies the Chief Executive Officer (“CEO”) and four most highly compensated executive officers (the “named executive officers”) and summarizes their aggregate compensation in 2020 and 2021 and estimated 2022:

<b>NAMED EXECUTIVE OFFICERS</b>				
	<u>Year</u>	<u>Total Officers'</u>		
		<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	2022 <sup>1</sup> (estimated)	₱48,378	₱32,822	₱81,200
	2021 <sup>2</sup>	42,383	53,915	96,298
	2020 <sup>3</sup>	81,672	36,021	117,693
<b>ALL OTHER DIRECTORS &amp; OFFICERS AS A GROUP</b>				
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	2022 (estimated)	₱54,680	₱23,043	₱77,723
	2021	58,158	40,472	98,630
	2020	52,444	29,581	82,025

<sup>1</sup> The named executive officers for the year 2022 are: Gerard H. Brimo, Martin Antonio G. Zamora, Georgina Carolina Y. Martinez, Maria Angela G. Villamor, and Rolando R. Cruz

<sup>2</sup> The named executive officers for the year 2021 are: Gerard H. Brimo, Martin Antonio G. Zamora, Jose B. Anievas, Georgina Carolina Y. Martinez, and Rolando R. Cruz

<sup>3</sup> The named executive officers for the year 2020 are: Gerard H. Brimo, Martin Antonio G. Zamora, Emmanuel L. Samson, Jose B. Anievas, and Georgina Carolina Y. Martinez

### **Compensation of Directors**

There are no other arrangements under which the Company's directors and officers were compensated, or are to be compensated, directly or indirectly, except as described above. All directors are eligible to participate in the 2018 Stock Option Plan approved by the shareholders at the Stockholders' Meeting held on 28 May 2018.

### **Employment Contracts**

There are no special employment contracts between the Company and its named executive officers.

### **Warrants and Options Outstanding**

On 16 June 2010, the Board of Directors and stockholders approved the NAC Executive Stock Option Plan (the "ESOP") covering 12,000,000 shares of stock. The Plan was duly approved by the Securities and Exchange Commission (SEC) on 20 December 2010.

The ESOP has a term of six (6) years from the Plan Adoption Date of June 16, 2010, and thus expired on June 16, 2016.

On 24 March 2014, the Board of Directors approved the adoption of a new Stock Option Plan (the "2014 SOP") for officers of the Company and its operating subsidiaries, and Resident Mine Managers. Directors will likewise be eligible to participate in the 2014 SOP. The 2014 SOP was approved by the shareholders during the annual shareholders' meeting held on 6 June 2014. On 21 November 2014, the SEC issued a resolution exempting 32,000,000 common shares for the 2014 SOP from the registration requirement.

The term of the 2014 SOP is five (5) years from Plan Adoption date of 6 June 2014 and has expired on 6 June 2019.

On 05 April 2018, the Board of Directors approved the adoption of a new Stock Option Plan (the "2018 SOP") for Directors and Officers of the Company and its operating mining subsidiaries. Participants shall include (i) Non-Executive Directors, including Independent Directors; (ii) any new Non-Executive Director appointed during the life of the 2018 SOP to the extent of the remaining vesting periods; (iii) Officers of the Company and its operating mining subsidiaries; and (iv) new Officers appointed during the life of the 2018 SOP following six months of service as Officers, to the extent of the remaining vesting period.

The 2018 SOP will have a term of five (5) years from the approval of the shareholders. Vesting shall take place yearly at a rate of twenty five percent (25%) of the entitlement shares, with the first vesting year, one year after the execution of the Option Agreement, The Exercise Price shall be the average of the closing price of the shares of the Company in the Philippine Stock Exchange (PSE) over ten (10) trading days following approval by the shareholders, less a discount of ten percent (10%). The number of shares reserved for the 2018 SOP shall be One Hundred Fifty Five Million (155,000,000) shares.

The 2018 SOP was endorsed by the Corporate Governance Committee and approved by the Board of Directors on 5 April 2018, and by the shareholders at the Annual Meeting of Shareholders on 28 May 2018.

The 2018 SOP and the 155,000,000 common shares reserved for the 2018 SOP was approved by the SEC on March 2020, and are subject to additional listing in the PSE.

In addition to the 155,000,000 shares, due to the effects of an 80% stock dividend declared by the Company's Board of Directors at a meeting held on 28 August 2018, the shares reserved for the 2018 SOP was adjusted by an additional One Hundred Twenty Three Million Nine Hundred Seventy Six Thousand Seven Hundred Ninety Two (123,976,792) common shares (the "Additional Shares"). The Additional Shares reserved for the 2018 SOP was approved by the shareholders of the Company on 09 October 2019.

At the meeting of the Board of Directors on 13 March 2020, an additional Ninety Six Million Twenty Three Thousand Two Hundred Eight (96,023,208) common shares (the "Further Additional Shares") to be reserved under the 2018 SOP, including any amendment to the 2018 SOP, as may be necessary to effect the increase in number of shares reserved, were approved. The Further Additional Shares will be allocated for new Directors and Officers of the Company. The Further Additional Shares were approved by shareholders of the Company on 17 July 2020.

The Additional Shares and the Further Additional Shares are still subject to SEC approval and additional listing in the PSE.

#### **Item 7. Independent Public Accountants**

**The appointment, approval or ratification of the Company's independent public accountant will be submitted to the shareholders for approval at the Annual Stockholders' Meeting on 3 June 2022.**

The Audit and Risk Committee has recommended, and the Board of Directors has approved, the reappointment of the accounting firm of SGV & Co. SGV & Co. has been the Company's independent auditor since its incorporation in July 2008.

The Company's certifying partner, Jaime F. del Rosario, signed the Company's Audited Financial Statements for 2021, a copy of which is attached to this Information Statement. The Certifying partner of the Company's independent external auditor is rotated at least once every five (5) years, with a two (2) year cooling off period as applicable, in accordance with SEC Rule 68, Part 3(b)(iv)(ix).

The Corporation has been advised that the SGV auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Representatives of SGV & Co. will be present at the scheduled stockholders meeting. They will have the opportunity to make a statement should they desire to do so and will be available to respond to appropriate questions.

#### ***External Audit Fees and Services***

##### **Audit and Audit-Related Fees**

For 2021, 2020, and 2019, independent accountants were engaged to express an opinion on the financial statements of the Company and its subsidiaries.

A regular audit was carried out in accordance with Philippine Financial Reporting Standards. The audit fees for these services were Php16.702 million for 2021, Php15.817 million for 2020, and Php16.086 million for 2019.



The non-audit fees were Php2.226 million for 2021, Php2.685 million for 2020, and Php0.825 million for 2019. Fees for audit and non-audit work are subject to approval of the Audit Committee before the start of the engagement.

### **Tax Fees**

There were no tax-related services rendered by the independent auditors other than the review of the income tax returns which formed part of the regular audit engagement.

### **All Other Fees**

Aside from the transfer pricing study, enterprise risk management and seminar fees, there were no other professional services rendered by the independent auditors.

### **Audit Committees' Approval Policies and Procedures**

Prior to the commencement of audit work, the independent auditors make a presentation of their audit program and schedule to the Company's Audit Committee, which includes a discussion of anticipated issues. The Group's audited consolidated financial statements for the year are presented by the external auditors to the Audit Committee for their endorsement to the Board and the Board's final approval. Prior to endorsement by the Audit Committee, the independent auditors present a comprehensive report discussing the work carried out, areas of interest and their key findings and observations.

The independent auditors also provide limited review to the Group's quarterly financial reports. This, together with the financial reports, is then presented to the Audit Committee for their endorsement to the Board of Directors for final approval and subsequent filing with the Securities and Exchange Commission.

All of the above were done and complied with in respect of the Company's consolidated audited financial statements for the year ended 31 December 2021.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

Mr. Jaime F. del Rosario is the current audit partner. There have been no disagreements with the said independent accountants.

### **Item 8. Compensation Plans**

No action shall be taken at this year's Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

There are no authorization or issuance of securities other than for exchange for outstanding securities for the registrant.

## **Item 10. Modification or Exchange of Securities**

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

## **Item 11. Finance and Other information**

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2021 are attached hereto.

The Management's Discussion and Analysis of Financial Condition and Results of Operations can also be found in the attached Management Report. The notes to the Consolidated Financial Statements are incorporated hereto by reference.

The Company has not made any changes in and has not had any disagreements with its external auditor on accounting and financial disclosures.

Representatives of the Company's external auditor, SGV, are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

## **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No transaction is to be taken by the Company with respect to any transaction involving mergers consolidations, acquisitions and similar matters.

## **Item 13. Acquisition or Disposition of Property**

No transaction is to be taken by the Company with respect to the acquisition or disposition of any Property.

## **Item 14. Reclassification of Accounts**

No actions are to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

#### **1. Minutes of the 4 June 2021 Annual General Meeting of Stockholders**

**The Minutes of the Annual General Stockholder Meeting held on 4 June 2021 will be submitted for shareholder approval at the 2022 AGM.**

The Minutes of the Annual Stockholders' Meeting held on 4 June 2021 is available for inspection by stockholders at the principal offices of the Company. Copies of said Minutes are also posted on the Company's website. Copies of said minutes will also be made available upon request at the venue of the next annual stockholders' meeting.

Matters taken up during the 2021 Stockholders' Meeting were the: (i) Reading and approval of the Minutes of the 17 July 2020 annual stockholders' meeting and action thereon;

(ii) Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2020 and action thereon; (iii) Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2020-2021; (iv) Appointment of independent auditors; and (v) Election of directors, including independent directors.

## 2. Management Reports

**The Company's Management Report which includes the Audited Financial Statements for the year ended 31 December 2021, and the Annual Report, will be submitted to shareholders of the Company for approval, ratification and confirmation, at the 2022 AGM.**

A copy of the Management Report is attached to this Information Statement. Upon written request, shareholders shall be provided with a copy of the Company's Annual Report on SEC Form 17-A free of charge (please see page 36).

### Item 17. Amendment of Charter

There are no proposed amendment to the Articles of Incorporation or By-Laws of the Corporation that will be submitted to the stockholders for approval.

### Item 18. Other Proposed Action

**Action is to be taken on the ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2021. The resolution to be adopted will be the ratification and approval of the acts of the Board of Directors and executive officers for the year 2021.**

Meetings of the Board of Directors were held on the following dates:

Regular Meeting of the Board of Directors	11 March 2021
Regular Meeting of the Board of Directors	6 May 2021
Organizational Meeting of the Board of Directors	4 June 2021
Special Meeting of the Board of Directors	6 July 2021
Regular Meeting of the Board of Directors	5 August 2021
Special Meeting of the Board of Directors	14 September 2021
Regular Meeting of the Board of Directors	4 November 2021
Regular Meeting of the Board of Directors	10 March 2022

At these meetings, principal matters discussed included the presentation of detailed operations and financial reports. Operations reports included market information and metal prices, volume of production and sales, and business development updates. Financial reports included consolidated and per segment figures on revenue, costs and expenses, other income and charges, income or loss before tax, net income or loss, balance sheet and statements of cash flows. In addition to these regular reports, the Board approved the matters set forth below.

### 11 March 2021 Regular Board Meeting

At the meeting held on 11 March 2021, management presented the Nickel Market Update to the Board. A financial review of the results for financial year 2020 was also presented, and the Board thereafter approved the financial reports of Nickel Asia Corporation and its subsidiaries, and the audited financial statements for year ended 31 December 2020.

After the cash management update was presented, a regular cash dividend amounting to P0.09 per share, and special cash dividend amounting to P0.14 per share, or a total cash payout of P3.135 billion, was approved.

At the same meeting, the funding of the Company's various subsidiaries was also discussed. The retirement of Engineer Jose B. Anievas effective 31 March 2021, was announced, and the following personnel movements were likewise approved:

- The promotion of Engr. Aloysius "Al" C. Diaz from Vice President of Operations in charge of TMC and CMC to Senior Vice President – Production Operations, effective on April 1, 2021.
- The re-assignment of Engr. Rommel Cruz from Vice President Operations in charge of RTN and HMC to Vice President Operations in charge of the two developing mines, HMC- Manicani and DMC and also the outsourced service company, CDTN Services, Inc., also effective on April 1, 2021.
- The appointment of General Romeo T. Tanalgo as Chief Risk Officer effective 1 April 2021, concurrent with position as VP for Security and OIC of the Risk Assurance Group.
- The appointment of Mr. Christopher C. Fernandez as Vice President and Head of the Information, Communication and Technology (ICT) Sector.

Lastly, the date of the annual stockholders' meeting for 2021, was approved.

#### **6 May 2021 Regular Board Meeting**

On 6 May 2021, the Board approved the financial statements for the first quarter of 2021. The Board, at the same meeting, likewise approved the conduct of the 2021 annual stockholders' meeting by remote communication, signatories for various banks and accounts, investment in private credit, and the renewal of the Company's credit line with Philippine Airlines.

#### **4 June 2021 Organizational Board Meeting**

During the Organizational Meeting held on 4 June 2021, the Board appointed the Officers of the Company as well as members of the different Board Committees.

#### **6 July 2021 Special Board Meeting**

The Board discussed and approved certain obligations of the Company as shareholder of JSI, in relation to the latter's funding requirements.

#### **5 August 2021 Regular Board Meeting**

At the meeting held on 5 August 2021, an update on the Nickel Market was reported, and the financial review of the financial results of the Company and its subsidiaries for the first half of 2021 was discussed. The Board approved the financial statements for the first half of 2021.

The resignation of Director Hiroshi Yoshida, and the appointment of a new director, Mr. Yusuke Niwa to take his place, was announced. The nomination and election of Mr. Niwa has been endorsed by the Nomination Committee.

#### **14 September 2021 Special Board Meeting**

The Board of Directors approved change in denomination with respect to the funding for the solar power plant expansion project of JSI. At the same meeting, the Board approved the renewal of two Promissory Notes issued by JSI in favour of the Company.

### **11 November 2021 Regular Board Meeting**

At the 11 November 2021 Meeting, the OneNAC Vision to contribute to sustainable national development by adopting our ESG Roadmap to achieve the highest standards in the responsible utilization of the country's natural resource, was approved.

The Board likewise declared a cash dividend in the amount of Twenty-Two Centavos (Php 0.22) per share, payable to common shareholders as of the Record Date of 18 November 2021, with a Payment Date of 2 December 2021.

Funding for the requirements of EPI in the total principal amount of Two Hundred Forty Million Pesos (Php 240,000,000.00), at the interest rate of five per cent (5%) per annum, payable quarterly, with a Principal Repayment Term of three (3) years, payable in full at the end of three (3) years, was also approved.

Lastly, the establishment of NAC FOUNDATION, INC to carry out the corporate social responsibility programs and activities of the Corporation and its subsidiaries and affiliates, was approved.

### **Item 19. Voting Procedures**

Under the Company's policy for the effective participation by shareholders in shareholders' meetings of the Company and the exercise of shareholders' right to vote:

1. To vote, a stockholder must first register online. Certificated stockholders should send a scanned copy of one (1) valid government identification card (ID) to [NIKL-ASM2022@nickelasia.com](mailto:NIKL-ASM2022@nickelasia.com). Indirect shareholders should send scanned copies of their broker's certification and one (1) valid ID to [NIKL-ASM2022@nickelasia.com](mailto:NIKL-ASM2022@nickelasia.com). Deadline for registration is on 23 May 2022, at 12NN. Once the Company successfully verifies the stockholder's status, the Company will reply to each stockholder with an online ballot for voting purposes.
2. Only items reflected on the Agenda and the Information Statement will be voted upon. No resolution that is not in the Agenda will be voted on.
3. Votes may be casted online by sending the filled up online ballot form to [NIKL-ASM2022@nickelasia.com](mailto:NIKL-ASM2022@nickelasia.com).
4. If a shareholder is unable to attend the meeting, he/she may still be represented at the meeting by submitting proxies either online, or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila. The deadline for submission of proxies is on 23 May 2022.
5. Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 24 March 2021 may vote the number of shares registered in his name for each of the nine (9) directors to be elected; or he may multiply the number of shares registered in his name by nine (9), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A

stockholder may also distribute his votes among some or all of the nine (9) directors to be elected.

6. Validation of online ballots and proxies shall be undertaken by a special committee designated by the Board for the validation of proxies. For the 2021 AGM, SGV, the Company's independent external auditor shall work with the special committee, to in reviewing the tabulation proxies.
7. Voting results for each item on the agenda shall be announced during the meeting and shall be made publicly available immediately.
8. Inquiries and/or comments limited to the items in the Agenda of the Meeting may be sent to [NIKLA-ASM2022@nickelasia.com](mailto:NIKLA-ASM2022@nickelasia.com) on or before 2 June 2022. Inquiries and/or comments received after the deadline, or those unrelated to the items in the Agenda of the Meeting shall be referred to the Corporation's proper officer for the appropriate response.

Stockholders as of 24 March 2022 may vote at the Annual General Stockholders' Meeting on 3 June 2022. Stockholders have the right to vote in person or by proxy.

In the election of directors, cumulative voting may be adopted. On this basis, each stockholder as of 24 March 2022 may vote the number of shares registered in his name for each of the nine (9) directors to be elected, or he may multiply the number of shares registered in his name by nine (9) and cast the total of such votes for one (1) director, or he may distribute his votes among some or all of the nine (9) directors to be elected. The nine (9) nominees with the greatest number of votes will be elected directors.

**PART II.**

**(PLEASE SEE SEPARATE PROXY FORM)**

**PART III.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 12 May 2022.

By:

  
**BARBARA ANNE C. MIGALLOS**  
*Corporate Secretary*

**UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, AND 2022 FIRST QUARTER REPORT SEC FORM 17-Q, AS FILED WITH THE SEC FREE OF CHARGE. ANY WRITTEN REQUEST SHALL BE ADDRESSED TO:**

**ATTY. BARBARA ANNE C. MIGALLOS**  
*Corporate Secretary*

**NICKEL ASIA CORPORATION**  
**28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila**





**MINUTES OF THE  
ANNUAL GENERAL MEETING OF THE  
SHAREHOLDERS OF NICKEL ASIA CORPORATION**

*Held on 04 June 2021, at 10:00 a.m.  
via remote communication  
presided from 28F NAC Tower 32nd Street,  
Bonifacio Global City, Taguig, 1634 Metro Manila*

**Shareholder Attendance:**

85.54% of the Company's outstanding capital stock

**Director present at the Company's principal office:**

Gerard H. Brimo, Director, *Chairman*

**Directors present via remote communication:**

Martin Antonio G. Zamora, *Director and President and CEO*

Philip T. Ang, *Director and Vice Chairman*

Frederick Y. Dy, *Independent Director; Audit Committee Chairman*

Masahiro Kamiya, *Director, Related Party Transactions Committee Chairman*

Maria Patricia Z. Riingen, *Director*

Angelo Raymundo Q. Valencia, *Independent Director, Board Risk Oversight Committee Chairman*

Luis J.L. Virata, *Director*

Hiroshi Yoshida, *Director*

**Officers present at the Company's principal office:**

Maria Angela G. Villamor, *Senior Vice President and Chief Financial Officer*

Atty. Barbara Anne C. Migallos, *Corporate Secretary*

Atty. Georgina Caroline Y. Martinez, *Assistant Corporate Secretary, SVP, CCO, CGO, Head - Compliance & Corporate Support Services Group*

**Others present via remote communication:**

Manuel B. Zamora, Jr., *Chairman Emeritus*

**External Auditor:**

Sycip Gorres Velayo & Company, *External Auditors (represented by Jaime F. del Rosario and members of the external audit team)*

**I. CALL TO ORDER**

The Chairman, Mr. Gerard H. Brimo, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Barbara Anne C. Migallos, recorded the minutes of the proceedings.

The Chairman welcomed the stockholders to the 2021 Annual Stockholders' Meeting (the "Meeting") of Nickel Asia Corporation (the "Company"), the second Meeting held via remote communication. He then proceeded to introduce the Chairman Emeritus, Mr. Manuel B. Zamora Jr., and the Directors of the Company who were present via remote

communication: Mr. Philip T. Ang, Vice Chairman; Mr. Martin Antonio G. Zamora, President and CEO; Mr. Frederick Y. Dy, Independent Director and Chairman of the Audit Committee; Mr. Angelo Raymundo Q. Valencia, Independent Director and Chairman of the Board Risk Oversight Committee; Mr. Masahiro Kamiya, Chairman of the Related Party Transactions Committee, Ms. Maria Patricia Z. Riingen, and Messrs. Luis J. Virata, and Hiroshi Yoshida.

The Chairman introduced Ms. Maria Angela G. Villamor, Senior Vice President and Chief Financial Officer, and Atty. Barbara Anne C. Migallos, Corporate Secretary, both present at the Company's principal office where the meeting was presided from.

The Chairman also acknowledged the representatives of the Company's independent external auditors, Sycip Gorres Velayo & Company (SGV & Co.) who attended the meeting remotely.

## **II. PROOF OF REQUIRED NOTICE OF THE MEETING**

The Chairman then inquired whether the Notices of the Meeting were properly sent to stockholders. The Corporate Secretary certified that in accordance with SEC rules, the Notice with the Agenda, together with the Definitive Information Statement approved by the SEC was posted on the website of the Corporation on 11 May 2021. The Notice and Agenda was also published in Business Mirror and Malaya Business Insight for two (2) consecutive days, on 11 and 12 May 2021, and published on-line in the Business Mirror and the Malaya Business Insight on the same dates.

## **III. CERTIFICATION OF QUORUM AND EXPLANATION OF VOTING PROCEDURE**

The Corporate Secretary certified that there are present via remote communication, or represented by proxy, 85.54% of the outstanding capital stock of the Company. Accordingly, there was a quorum for purposes of the meeting.

The Corporate Secretary explained that as indicated in the Notice of the Meeting, stockholders may participate and attend the meeting only by remote communication. A dedicated email address was disclosed consistent with SEC rules so that stockholders would be able to register or to submit proxies on or before 24 May 2021. Shareholders who did so were considered present at the Meeting.

### *Voting Procedure and General Protocol*

At the request of the Chairman, the Corporate Secretary explained the protocol and voting procedure for the meeting.

1. The required quorum for an annual stockholders' meeting is the presence in person or by proxy of stockholders holding a majority of the outstanding capital stock. As earlier stated, there is a quorum for today's meeting.

2. Only the items on the Agenda and in the Definitive Information Statement will be voted upon. Items that are not on the Agenda cannot be submitted to a vote by the shareholders.
3. As stated in both the Notice and in the Definitive Information Statement, stockholders may cast their votes through an online ballot which must be submitted on or before 12:00 noon of 2 June 2021 to the dedicated email address. Voting instructions were provided in the Definitive Information Statement.

Proxy forms, which contain each item on the Agenda that requires shareholders' vote, were also made available in the Company website, for use by the shareholders for today's meeting.

4. In the election of directors, cumulative voting may be adopted. The nine (9) nominees with the greatest number of votes will be elected directors.

The names of each of the nominees are stated in the online voting form, and in the proxy. The shareholder may vote for all of the nominees; OR withhold a vote for all or for certain nominees. Votes are cast and counted in accordance with the shareholders' instructions, as reflected in the proxies.

5. The Company's stock transfer agent, Stock Transfer Service, Inc. tabulated the votes. As necessary, such tabulation is subject to the review by SGV & Co., the Company's independent external auditor.
6. The results of the voting on each item will be announced when the particular item is taken up. A tabulation of results will be posted on the Company's website after the Meeting.
7. Stockholders were requested to submit their questions on or before 2 June 2021 at 12 noon, through the dedicated email address that was provided to shareholders. Management will endeavor to answer all the questions. If, due to time constraints, we are not able to answer all the questions, responses to remaining questions will be sent via email.

#### **IV. APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

The Chairman announced that the first item on the Agenda was the reading and approval of the Minutes of the Annual General Stockholders' Meeting held on 17 July 2020 (the "2020 AGM"). The Minutes of the 2020 AGM were posted on the Company's website five business days after that meeting. At the request of the Chairman, the Corporate Secretary presented the resolution for approval:

*“RESOLVED, that the reading of the Minutes of the Annual Meeting of Stockholders held on 17 July 2020 be as it is hereby dispensed with, and that said Minutes are hereby approved.”*

According to the Corporate Secretary, based on the tabulation of votes, stockholders representing a total of 11,660,245,250 shares or 85.54% of the Company's outstanding capital stock voted in favor of the proposed resolution.

The Chairman declared the motion carried and announced that the Minutes of the Stockholders' Meeting held on 17 July 2020 were hereby approved.

## **V. ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2020**

The next item on the Agenda was the approval of the Annual Report and of the Company's Audited Financial Statements and the Notes thereto for the year ended 31 December 2020. Copies of the report and the audited financial statements were previously distributed to the shareholders in accordance with pertinent SEC rules.

The President and Chief Executive Officer, Mr. Martin Antonio G. Zamora, presented the highlights of the Annual Report through a pre-recorded video, followed by the Senior Vice President and Chief Financial Officer, Ms. Maria Angela G. Villamor, who presented the financial and operating highlights.

### **The President's Report**

The President welcomed the shareholders to the Company's Annual Shareholders' Meeting.

The President recalled that 2020 was a year like no other. In the face of a once-in-a-century pandemic, the Company was certain that to get through this global crisis, it needed to focus on its people and its communities. For its people, the Company activated incident management teams at every mile, and made it clear that no one was to be left behind. This pledge was put to the test when one of its resident mine managers turned seriously ill. The Company immediately had him flown to Manila for medical treatment, and he was discharged 34 days later, fully recovered from the virus. The Company also knew that its operations could not continue in a bubble of safety if its own communities were vulnerable. Thus, it spent over Php60 million supplying its communities with fac masks, face shields, alcohol and other medical equipment, as well as rice and canned goods to tide over families while shops were closed. Through it all, the Company saw its people come together, focused on their responsibilities to their fellow workers, families, and communities. In the end, the Company delivered an outstanding performance during the most difficult time with not a single casualty, and no one left behind. The year also saw the Company continue to work on several matters critical to its future. In 2020, it embarked on a formal Environmental, Social, and Governance (ESG) process, the formalization of numerous practices and principles that its founders had adopted since the beginning. The Company resolved to be the top ESG investment in the Philippines within a five-year period. The year ended with the Company receiving recognition for efforts to become an example of responsible mining. Two of its subsidiaries, Rio Tuba Nickel Mining

Corporation and Cagdianao Mining Corporation, received the Presidential Mineral Industry Environment Award, the highest recognition that can be bestowed on a large-scale mining operation in the Philippines, while another subsidiary, Hinatuan Mining Corporation, received the Platinum Achievement Award.

### *Operating Results*

The Company's four operating companies achieved total sales of 18.2 million wet metric tonnes (WMT) of nickel ore, a slight decrease from the prior year's 18.8 WMT. Exports of saprolite ore increased to 9.2 million WMT from 8.9 million WMT in the previous year. On the other hand, exports of limonite ore decreased to 865,000 WMT from 1.6 million WMT. The Rio Tuba and Taganito operations also sold 8.2 million WMT of low-grade limonite ore to the Coral Bay and Taganito HPAL plants (the "HPAL Plants"), respectively.

With respect to prices, the Company averaged \$35.00 per WMT for saprolite ore exports, as against \$25.00 per WMT from the prior year, a 41% increase. The price of limonite exports also increased to \$20.00 per WMT, as against \$15.00 per WMT. The higher export prices were the result of tighter supply following the resumption of Indonesia's nickel ore export ban, which took effect at the start of the year. On the limonite sales to the HPAL Plants, the Company realized an average selling price of \$8.30 per WMT. On a combined basis, the Company averaged \$22.50 per WMT in 2020, 35% higher than the prior year's \$16.70 per WMT.

As a result, consolidated revenues increased to P21.8 billion from P17.9 billion in the prior year. Correspondingly, the attributable net income for the year increased to P4.1 billion from P2.7 billion in the previous year. Included in the income is the Company's share of earnings of the two HPAL Plants, which amounted to P190 million. On the basis of these results, on 11 March 2021, the Board of Directors approved a regular cash dividend of P0.09 per share and a special cash dividend of P0.14 per common share. Cash dividends in the total amount of P4.07 billion was paid on 08 April 2021 to shareholders of record as of 25 March 2021.

### *Economic and Social Contribution*

In 2020, the Company paid taxes and fees amounting P5 billion, including corporate income tax of P2.4 billion. With respect to the Company's Social Development and Management Programs and Corporate Social Responsibility Programs, the Company spent P244 million on infrastructure, livelihood, health care and educational programs within the host communities of the Company's operations.

### *Industry Outlook*

The Company's outlook for the nickel industry is positive over the long term. This is despite the global nickel market surplus recorded in 2020, which was driven by the slow down in the global economy due to the corona virus disease (Co-ViD-19) and more importantly, the increase in the Indonesian NPI production. Surpluses are expected to continue until 2024, driven by additional Indonesian nickel production. However, from 2025

onwards, a deficit build-up is expected as a result of nickel demand for the electric vehicle (EV) market, which is expected to lead to massive shortages unless a significant number of downstream nickel projects are added in the medium term. With nickel demand for EVs expected to grow at an accelerated pace and the corresponding build-up of deficits in the global nickel market, higher London Market Exchange (LME) nickel prices are expected over the foreseeable future.

With respect to the Company's renewable energy business, the prospects are positive. The Department of Energy (DOE) and National Grid Corporation of the Philippines expect demand for power to exceed dependable capacity by 2024. In addition, the DOE will require distribution utilities and retailers to procure more renewable energy starting in 2020. EPI continues to position itself competitively given the industry dynamics.

The 32 Megawatt (MW) solar plant in Subic generated 37.6 gigawatts of power, a 17% increase from the 2019 production. The Company signed a total of 27 MW of power supply agreements in 2020 and have developed a strong pipeline for future deliveries. The EPI and NAC Boards also approved a P2.6 billion capital budget to expand the existing Subic capacity to 100 MW. The Company started construction of 30 MW in the second quarter of 2020, which was energized in April 2021. The development plans for the next 38 MW was also finalized, which would bring total capacity to 100 MW by the first quarter of 2022. The Company secured a second 100 MW service contract for Subic.

Finally, amidst the challenging times brought about by the unprecedented threat of CoViD-19, the dedication and perseverance of the Company's officers, staff, and rank and file employees in continuing operations safely and in accordance with mandated government protocols have been exemplary – the President thanked them for their trust and dedication. Additionally, the President thanked them especially in making sure the Company's host communities are safe and secure from the virus and in reaching out and assisting everyone, especially the most severely affected.

The President expressed his appreciation to the Company's Directors for their collective wisdom and guidance throughout the year. Finally, the President thanked the shareholders, for their continued support and encouragement as the Company goes through a period of crisis.

The President said that the Company's commitment to raise the bar remains unchanged. With the shareholders' continued support, and the dedication of the Company's employees, the Company has emerged from 2020 even stronger and more confident about the future.

## **Financial and Operating Results**

The SVP and CFO presented the financial and operating results for 2020.

The year 2020 saw an improvement in ore prices as a result of the Indonesia ore export ban which took effect on 01 January 2020 and the recovery of the Chinese economy.

With respect to realized ore prices on deliveries to the two HPAL Plants, prices were at \$8.33 per WMT, which is slightly higher in comparison to \$8.19 per WMT in 2019. Taking into account the cobalt credits for the materials delivered to the plants, average realized LME price was slightly lower at \$6.21 per lb in 2020 as average cobalt price fell from \$16.70 in 2019 to \$15.60 in 2020.

With respect to ore export sales, realized ore prices increased by 45% to \$33.99 per WMT in 2020 from \$23.52 per WMT in 2019. As a result, the combined weighted average realized prices of both ore exports and HPAL deliveries is \$22.46 per WMT in 2020, 35% higher than the \$16.69 per WMT in 2019.

Changes in foreign exchange rates impact the company's operations as 100% of the company's mining revenues are denominated in US dollars. The steadily weakening of the US dollar contributed to the Peso closing at P49.15 to \$1 at end of 2020 compared to the P51.72 to \$1 in 2019. Based on the number shipments of the company, the effect of a P1.00 fluctuation in the foreign exchange rate to net income is approximately P267 million.

Also affected by changes in foreign exchange rates are the company's foreign currency denominated financial assets, which are mostly in US dollars and accounts for about 69% of the Company's cash and cash equivalents. The lower peso exchange rate resulted in the recognition of a higher foreign exchange loss of P451 million for 2020.

On shipment volumes, the imposition of the Indonesia ore export ban opened the market for lower grade saprolite ore, with nickel content of less than 1.5%. Sales volume of lower grade saprolite ore saw an increase of 3% to 9.15 million WMT in 2020 compared to 8.86 million WMT in 2019. The enhanced community quarantine (ECQ) and the prolonged rains in the south resulted to delay in shipments from the Surigao mines. As a result, total saprolite and limonite ore exports dropped by 4% or about 420,000 WMT to 10.02 million WMT for the year 2020.

Ore deliveries to the plants decreased to 8.18 million WMT for 2020, 3% lower than the 8.39 million WMT reported in 2019. Overall, total shipments of 18.20 million WMT is slightly lower than the 18.84 million WMT reported in 2019.

Despite the decrease in shipments and unfavorable foreign exchange rates, revenues from nickel sales stood at P20.10 billion, which is a 24% increase from the P16.26 billion actual revenues in 2019. This is due to improved prices.

In terms of cash cost per WMT sold, the Company spent \$12.86, or a margin of close to 43% or \$9.61. This is higher than the 34% margin in 2019.

The overall effects and performance driven by the key drivers resulted in P21.77 billion in revenues or a 21% increase from 2019's revenue of P17.9 billion. EBITDA stood at P9.36 billion in 2020 compared to P6.5 billion in 2019. The Company generated a net income of P4.069 billion compared to the P2.685 billion net income in 2019.



In summary, 2020 registered a \$22.46 realized revenue per WMT, a 19% improvement in both EBITDA and net income, as translated into 43% EBITDA margin and a net income margin of 25%. Finally, earnings per share for 2020 is P0.30, a 50% increase from P0.20 in 2019.

## **OPEN FORUM**

The Chairman then asked the Corporate Secretary to inform the stockholders of any questions received. The Corporate Secretary confirmed that there were no questions received from the stockholders.

At the request of the Chairman, the Corporate Secretary presented the resolution for approval:

***“RESOLVED**, that the Annual Report, together with the Audited Financial Statements and the notes thereto of the Corporation for the year ended 31 December 2020, be as they are hereby approved.”*

The Corporate Secretary stated that based on the tabulation of votes, stockholders owning a total of 11,658,037,130 shares or 85.52% of the Company’s outstanding capital stock voted in favor of the approval of the Annual Report, together with the Audited Financial Statements and the notes thereto of the Corporation for the year ended 31 December 2020.

The Chairman then declared that the motion was carried. The Company’s Annual Report and the Audited Financial Statements and the notes thereto for the year ended 31 December 2020 were approved, ratified and confirmed.

## **VI. RATIFICATION AND APPROVAL OF ACTS OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS**

The Chairman said that the next item on the Agenda is the ratification and approval of the acts of the Board of Directors and executive officers during the year 2020. The Corporate Secretary presented the resolution for approval:

***“RESOLVED**, that all acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors, and Executive Officers and management of the Corporation during the past year and up to today’s meeting, as set forth in the Minutes of the Meetings of the Board of Directors, and/or all acts and proceedings performed or taken pursuant thereto, be as they are hereby, approved, ratified and confirmed.”*

At the Chairman's request, the Corporate Secretary informed the stockholders that based on the tabulation of votes, shareholders holding 11,658,037,130 shares, representing 85.52% of the Company's outstanding capital stock, have voted in favor of the approval and ratification of the acts of the Board of Directors and Officers of the Company during the past year.

The Chairman declared the motion carried. The resolution to ratify and approve all of the acts of the Board of Directors and/or Officers of the Corporation during the past year was approved.

## **VII. APPOINTMENT OF INDEPENDENT AUDITORS**

The Chairman said that the next item on the Agenda is the appointment of the Company's independent auditors. He said that the Audit Committee recommended the appointment of Sycip Gorres Velayo & Company as independent auditors of the Company for 2021, and the Board of Directors approved and accepted the recommendation. The Corporate Secretary presented the resolution for approval:

***“RESOLVED**, that accounting firm of Sycip, Gorres Velayo & Company, as recommended by the Audit Committee and the Board of Directors, be appointed as the external auditor of the Corporation for the year 2021 and until its successor is duly appointed.”*

At the Chairman's request, the Corporate Secretary informed the stockholders that based on the tabulation of votes, shareholders holding 11,650,245,230 shares, representing 85.54% of the outstanding capital stock, voted in favor of the appointment of Sycip Gorres Velayo & Company as the independent external auditors of the Company for 2021.

The Chairman declared the motion carried. The appointment of Sycip Gorres Velayo & Company as independent auditors of the Company for 2021 was approved.

## **VIII. ELECTION OF DIRECTORS**

The Chairman said that the next item on the Agenda is the election of directors for the ensuing year, at least two of whom must be independent directors.

The Corporate Secretary reported that there were nine (9) nominees for the nine (9) seats on the Company's Board of Directors for election at this Meeting. The Nominations Committee screened the nine (9) nominees including the nominees for independent directors and thereafter prepared a Final List of qualified candidates, which was incorporated in the Information Statement for today's meeting. The following are the nominees:

1. Gerard H. Brimo
2. Philip T. Ang
3. Martin Antonio G. Zamora
4. Jaime J. Bautista (Independent Director)
5. Masahiro Kamiya
6. Maria Patricia Z. Riingen
7. Angelo Raymundo Q. Valencia (Independent Director)
8. Luis J. L. Virata
9. Hiroshi Yoshida

The Chairman asked the Corporate Secretary to inform the body of the votes cast for each of the nine (9) nominees to the nine (9) seats on the Company's Board of Directors.

The Corporate Secretary reported that all nine (9) nominees for the nine (9) seats on the Board received sufficient votes to elect them as Director of the Company. Indeed, the vote of the shareholders was overwhelmingly in favor of the nine (9) nominees.

The Chairman then declared that the following have been elected as Directors of the Company:

1. Gerard H. Brimo
2. Philip T. Ang
3. Martin Antonio G. Zamora
4. Jaime J. Bautista (Independent Director)
5. Masahiro Kamiya
6. Maria Patricia Z. Riingen
7. Angelo Raymundo Q. Valencia (Independent Director)
8. Luis J. L. Virata
9. Hiroshi Yoshida

The Chairman thanked Mr. Frederick Y. Dy, the Company's outgoing Independent Director, for his invaluable contributions to the Company for the past 11 years.

## **IX. OTHER MATTERS**

The Chairman asked if there were any other matters or business that the shareholders wished to raise. None of the shareholders came forward with questions or concerns.

**X. ADJOURNMENT**

There being no other matters to discuss, on motion made and duly seconded, the meeting was thereupon adjourned.

Prepared by:

**BARBARA ANNE C. MIGALLOS**  
*Corporate Secretary*

Attest:

**GERARD H. BRIMO**  
*Chairman*

***Nickel Asia Corporation***  
***Minutes of the Annual Stockholders' Meeting***  
***Held on 04 June 2021***

**NICKEL ASIA CORPORATION ANNUAL  
STOCKHOLDERS' MEETING 2021**

**TOTAL OUTSTANDING SHARES -**

**14,350,850,117**

**TOTAL OUTSTANDING CAPITAL STOCK - P6,849,836,058.50  
PERCENTAGE OF ATTENDANCE – 85.54%**

**COMMON SHARES -  
PREFERRED SHARES -**

**13,630,850,117  
720,000,000**

AGENDA ITEM	IN FAVOR		AGAINST		ABSTAIN	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Approval of minutes of annual stockholders' meetings held on 17 July 2020	11,660,245,250	85.54%	0	0.00%	5,355	0.000039%
Approval of Annual Report and Audited Financial Statements for the year ended 31 December 2020	11,658,037,130	85.52%	0	0.00%	2,213,475	0.02%
Ratification and approval of the acts of the Board Directors and Executive Officers for the Year 2020	11,658,037,130	85.52%	0	0.00%	2,213,475	0.02%
Appointment of SyCip, Gorres, Velayo & Co. as independent auditors	11,660,245,250	85.54%	0	0.00%	5,355	0.000039%
<b>Election of Directors</b>	<b>IN FAVOR</b>					
	<b>No. of Shares</b>		<b>%</b>			
1) Gerard H. Brimo	11,627,272,347	85.30%				
2) Martin Antonio G. Zamora	11,644,622,651	85.43%				
3) Philip T. Ang	11,414,573,945	83.74%				
4) Luis J. L. Virata	11,419,427,444	83.78%				
5) Maria Patricia Z. Riingen	11,419,427,444	83.78%				
6) Masahiro Kamiya	11,413,796,505	83.73%				
7) Hiroshi Yoshida	11,419,427,444	83.78%				
8) Angelo Raymundo Q. Valencia - Independent	11,660,245,250	85.54%				
9) Jaime J. Bautista – Independent	11,660,245,250	85.54%				

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) S.S.

**CERTIFICATE OF INDEPENDENT DIRECTOR**

I, **ANGELO RAYMUNDO Q. VALENCIA**, Filipino, of legal age, with address at 159 HV Dela Costa St., Salcedo Village, Bel Air II, Makati City, NCR hereby declare that:

1. I am nominated for re-election as Independent Director of **NICKEL ASIA CORPORATION** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at 28/F NAC Tower 32nd Street, Bonifacio Global City, Taguig, 1634 Metro Manila, at the Company's 2021 Annual Stockholders' Meeting to be held on 03 June 2022. I have been Independent Director of the Company since 08 May 2020.

2. I am affiliated with the following companies or organizations:

<b>Name of Corporation/ Organization</b>	<b>Position/s Held</b>	<b>Period of Service</b>
PAF Aviation Leadership and Excellence NEXUS	Member, Advisory Council	September 10, 2021 to present
Integrated Bar of the Philippines	Presidential Adviser, Food Security, Education, Environmental Stewardship, Indigenous People's Rights	August 4, 2021 to present
Guagua Rural Bank	Independent Director	February 4, 2021 to present
	Chairman, Corporate Governance Committee	February 4, 2022 to present
Community Sustainability Ventures, Inc.	Managing Director	December 15, 2019 to present
NOLCOM Heroes Foundation	Member, Board of Advisors	May 21, 2019 to present

Country Bankers Life and Non-Life Corporation	Independent Director	April 23, 2019 to present
	Chairman, Governance Committee	November 19, 2020 to present
AFP Command Staff Graduate Course	Lecturer	April 16, 2019 to present
UP Alumni Association, Pampanga Chapter	Member, Board of Directors Corporate Secretary	April 2019 to present
AFP Leadership Development Center	Member, Advisory Council	November 28, 2018 to present
Development Academy of the Philippines	Senior Fellow	June 22, 2017 to present
Mashiglia Inc.	Director	April 7, 2016 to present
YD Trucking Services, Corp.	Chairman	March 3, 2015 to present
Just Projects Philippines Foundation, Inc.	Director	June 4, 2014 to present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC"), the 2015 Implementing Rules and Regulations of the SRC (the "SRC Rules"), and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.


Done this 21st day of April 2022 at Taguig City, Metro Manila.

  
**ANGELO RAYMUNDO Q. VALENCIA**  
*Independent Director*

**SUBSCRIBED AND SWORN** to before me this 21st day of April 2022 at Taguig City, affiant exhibiting to me his Competent Evidence of Identity consisting of his Tax Identification No. (TIN) Card 132-684-840-000, bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 206  
Page No.: 77  
Book No.: 2  
Series of 2022

Cnew NIKL 2022 AGM - Certificate ID Valencia (2022) / dfp86

  
**KATHRYN ROSALIE B. FADERON-DIONISIO**  
Appointment No. 54 (2020-2021)  
Notary Public for and in the City of Taguig  
Until December 31, 2021  
Roll No. 42738

PTR No. A-5195018 dated 26 April 2021 / Taguig City  
IBP No. 05593 (Lifetime) / O.R. No. 669506 / 09 January 2006  
MCLE Compliance No. VI-0018369; until 14 April 2022  
28F NAC Tower, 32nd Street, BGC, Taguig City



REPUBLIC OF THE PHILIPPINES )  
 ) S.S.

**CERTIFICATE OF INDEPENDENT DIRECTOR**

I, **JAIME J. BAUTISTA**, Filipino, of legal age, with address at 28 Margarita St. Magallanes Village, Makati City hereby declare that:

1. I am nominated for election as Independent Director of **NICKEL ASIA CORPORATION** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at 28/F NAC Tower 32nd Street, Bonifacio Global City, Taguig, 1634 Metro Manila, at the Company's 2021 Annual Stockholders' Meeting to be held on 03 June 2022. I have been an Independent Director of the Company since 04 June 2021.

2. I am affiliated with the following companies or organizations:

<b>Name of Corporation/ Organization</b>	<b>Position/s Held</b>	<b>Period of Service</b>
Manila Golf and Country Club, Inc.	Director	April 2, 2022 to present
Philippine Bank of Communications	Director	July 2020 to present
Cosco Capital, Inc.	Director	April 2020 to present
International School of Sustainable Tourism	Trustee	February 2020 to present
Air Speed International, Inc.	Director	January 2020 to present
Gothong Southern Shipping, Inc.	Director	January 2020 to present

Alphaland Corporation	Director	September 2019 to present
SKAL Makati International	President	March 2016 to present
Financial Executives of the Philippines	Member	2004 to present
Rotary Club of Makati West	Member	1999 to present
UE Ramon Magsaysay Medical Memorial Center	Trustee	August 1991 to present
University of the East	Trustee	August 1991 to present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC"), the 2015 Implementing Rules and Regulations of the SRC (the "SRC Rules"), and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.

APR 21 2022

**TAGUIG CITY**

Done this \_\_\_\_\_ day of \_\_\_\_\_ 2022 at \_\_\_\_\_, Metro Manila.



**JAIME J. BAUTISTA**  
*Independent Director*

APR 21 2022

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2022, affiant exhibiting to me his Competent Evidence of Identity consisting of his Philippine Driver's License No. N12-76-000005 issued by LTO Branch N32 on 8 March 2018, bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 785;  
Page No.: 78;  
Book No.: 2;  
Series of 2022.

Cnew NIKL 2022 AGM Certificate ID Bautista /dfp86



**KATHRYN ROSALIE B. FADERON-DIONISIO**  
Appointment No. 54 (2020-2021)  
Notary Public for and in the City of Taguig  
Until December 31, 2021  
Roll No. 42738

PTR No. A-5195018 dated 26 April 2021 / Taguig City  
IBP No. 05593 (Lifetime) /O.R. No. 669506 / 05 January 2006  
MCLE Compliance No. VI-0018369, until 14 April 2022  
28F NAC Tower, 32nd Street, BGC, Taguig City

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) SS.

CERTIFICATION

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino, with office address at 7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, being the duly elected and incumbent Corporate Secretary of **NICKEL ASIA CORPORATION**, a corporation duly organized and existing under Philippine law, with office address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila (the "Company"), do hereby certify that the following nominees for election as Directors of the Company are not connected with any government agency or instrumentality:


1. Gerard H. Brimo
2. Martin Antonio G. Zamora
3. Harvey T. Ang
4. Luis J. L. Virata
5. Maria Patricia Z. Riingen
6. Masahiro Kamiya
7. Yusuke Niwa
8. Angelo Raymundo Q. Valencia (Independent)
9. Jaime J. Bautista (Independent)

  
**BARBARA ANNE C. MIGALLOS**  
*Corporate Secretary*

**SUBSCRIBED AND SWORN** to before me this 27<sup>th</sup> day of April 2022, affiant exhibiting to me her Passport No. P7148981A issued on 11 May 2018 at DFA NCR South, expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No. 119 :  
Page No. 25 :  
Book No. III :  
Series of 2022.

C2473 NIKL 2022 AGM - Certification on Non Gov Adfp86

  
**RALYANA KNOSEBARCA M. GADDI**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-216 (2021-2022)  
COMMISSION EXPIRES ON DECEMBER 31, 2022  
7th Floor, The PHINMA Plaza, 39 Plaza Drive  
Rockwell Center, Makati City 1210  
PTR No. 8853540; Makati City; 1/3/2022  
IBP O.R. No. 178651; Makati City; 1/3/2022  
TIN 473-816-131  
Attorney's Roll No. 75398  
Admitted to the Philippine Bar: 24 July 2020

## **REPORT ACCOMPANYING THE INFORMATION STATEMENT**

### **MANAGEMENT REPORT**

#### **I. Financial Statements**

The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 in compliance with SRC Rule 68, as amended, is attached to the Information Statement and is incorporated by reference.

#### **II. Information on Independent Accountants and other Related Matters**

The Company's consolidated financial statements for the year ended 31 December 2021 have been audited by SyCip Gorres Velayo & Co. (SGV & Co., a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

Mr. Jaime F. del Rosario is the Company's current audit partner. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period.

There were no disagreements with SGV & Co. on any matter of accounting and financial disclosure.

The following table sets out the aggregate fees incurred for the year 2021 and 2020 for professional services rendered by SGV & Co.:

	2021	2020
	<i>(In Thousands)</i>	
Audit and Audit-Related Services	P16,702	P15,817
Non-Audit Services	2,226	2,685
<b>Total</b>	<b>P18,928</b>	<b>P18,502</b>

#### **III. Management's Discussion and Analysis of Financial Condition and Results of Operations**

##### **Consolidated Financial Statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019**

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

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

## Summary Financial Information

The Consolidated Financial Statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019 are hereto attached.

The following tables set forth the summary financial information for the three (3) years ended December 31, 2021, 2020, and 2019 and as at December 31, 2021, 2020, and 2019:

	Summary of Consolidated Statements of Income						
	For the Years Ended December 31			Horizontal Analysis			
	2021	2020	2019	Increase (Decrease)		Increase (Decrease)	
	(In Thousand Pesos)			2021 vs 2020	%	2020 vs 2019	%
Revenue	₱27,404,115	₱21,771,581	₱17,923,294	₱5,632,534	25.87%	₱3,848,287	21.47%
Costs	(8,294,584)	(8,161,793)	(7,815,156)	132,791	1.63%	346,637	4.44%
Operating expenses	(6,316,527)	(5,692,925)	(4,867,354)	623,602	10.95%	825,571	16.96%
Finance income	162,075	238,293	405,598	(76,218)	-31.98%	(167,305)	-41.25%
Finance expense	(244,081)	(274,502)	(343,655)	(30,421)	-11.08%	(69,153)	-20.12%
Equity in net income of associates	557,863	190,447	10,383	367,416	192.92%	180,064	1,734.22%
Other income (charges) - net	701,593	(263,209)	168,824	964,802	366.55%	(432,033)	-255.91%
Provision for income tax - net	(3,332,280)	(2,318,850)	(1,655,506)	1,013,430	43.70%	663,344	40.07%
Net income	₱10,638,174	₱5,489,042	₱3,826,428	₱5,149,132	93.81%	₱1,662,614	43.45%
Net income attributable to:							
Equity holders of the Parent	₱7,812,575	₱4,068,732	₱2,684,969	₱3,743,843	92.01%	₱1,383,763	51.54%
Non-controlling interests	2,825,599	1,420,310	1,141,459	1,405,289	98.94%	278,851	24.43%
	₱10,638,174	₱5,489,042	₱3,826,428	₱5,149,132	93.81%	₱1,662,614	43.45%

	Summary of Consolidated Statements of Financial Position						
	For the Years Ended December 31			Horizontal Analysis			
	2021	2020	2019	Increase (Decrease)		Increase (Decrease)	
	(In Thousand Pesos)			2021 vs 2020	%	2020 vs 2019	%
Current assets	₱24,011,065	₱22,011,970	₱22,023,257	₱1,999,095	9.08%	(₱11,287)	-0.05%
Noncurrent assets	27,689,817	26,901,320	26,238,696	788,497	2.93%	662,624	2.53%
Total assets	₱51,700,882	₱48,913,290	₱48,261,953	₱2,787,592	5.70%	₱651,337	1.35%
Current liabilities	₱11,924,982	₱10,944,323	₱9,920,481	₱980,659	8.96%	₱1,023,842	10.32%
Noncurrent liabilities	3,446,700	3,372,178	3,210,211	74,522	2.21%	161,967	5.05%
Non-controlling interests	3,389,433	3,554,393	3,761,230	(164,960)	-4.64%	(206,837)	-5.50%
Equity attributable to equity holders of the Parent	32,939,767	31,042,396	31,370,031	1,897,371	6.11%	(327,635)	-1.04%
Total liabilities and equity	₱51,700,882	₱48,913,290	₱48,261,953	₱2,787,592	5.70%	₱651,337	1.35%

	For the Years Ended December 31		
	2021	2020	2019
	(In Thousand Pesos)		
Net cash flows from (used in):			
Operating activities		₱9,676,373	₱8,777,806
Investing activities		(2,819,360)	(2,858,174)
Financing activities		(8,048,264)	(5,841,773)
Net increase (decrease) in cash and cash equivalents		(1,191,251)	77,859
Cash and cash equivalents, beginning		11,835,201	11,943,128
Effect of exchange rate changes in cash and cash equivalents		182,856	(185,786)
Cash and cash equivalents, end		₱10,826,806	₱11,835,201

## RESULTS OF OPERATIONS

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

#### Revenues

Nickel Asia Corporation's (the "Company", "Parent Company", the "Group" or "NAC") total revenues in 2021 was ₱27,404.1 million, higher by ₱5,632.5 million or 26% compared to ₱21,771.6 million in 2020 as a result of higher ore sales prices. At the same time, the surging demand for nickel fueled by doubling in sales of electric vehicles and strong growth in stainless steel production coupled with lower than expected nickel production, particularly out of

Indonesia, resulted in nickel deficit of about 150,000 tonnes rather than a projected surplus and this has been a significant tailwind for the global nickel industry and for the Group.

#### *Sale of Ore*

The Group sold a total of 17.94 million wet metric tonnes (WMT) of nickel ore at the weighted average realized price of \$29.13 per WMT in 2021, compared to 18.20 million WMT at \$22.46 per WMT in 2020.

Breaking down the ore sales, the Group exported 10.79 million WMT of saprolite and limonite ore to customers in Japan and China at the average price of \$40.40 per WMT in 2021. This compares to 10.02 million WMT at \$33.99 per WMT in 2020. Likewise, NAC delivered 7.14 million WMT of limonite ore to the Coral Bay and Taganito HPAL plants, the prices of which are linked to the London Metal Exchange (LME), and realized an average price of \$8.36 per pound of payable nickel. This compares to 8.18 million WMT at \$6.22 per pound of payable nickel in 2020. Expressed in US\$ per WMT, deliveries to the two HPAL plants generated \$12.11 and \$8.33 per WMT in 2021 and 2020, respectively.

On a per mine basis, the Group's Taganito mine accounted for 46% of total shipments in 2021. The mine shipped 4.29 million WMT of saprolite ore and delivered 4.00 million WMT of limonite ore to the Taganito HPAL plant, or a total combined shipment of 8.29 million WMT. The comparable figures for 2020 were 3.63 million WMT of saprolite ore and 4.89 million WMT of limonite ore to the Taganito HPAL plant, or a combined shipment of 8.52 million WMT.

The Rio Tuba mine accounted for 27% of total shipments, consist of 1.87 million WMT of saprolite ore and 2.92 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 4.79 million WMT. The comparable figures for 2020 were 1.98 million WMT and 3.03 million WMT or a total of 5.01 million WMT.

Shipments from the Group's Hinatuan mine was 1.82 million WMT in 2021 compared to 1.68 million WMT in 2020. On the other hand, the Cagdianao mine shipped 3.01 million WMT in 2021 as against 2.99 million WMT in 2020.

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

#### *Sale of Limestone*

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

#### *Sale of Quarry Materials*

Revenue from sale of quarry material was 62% lower than last year due to lower deliveries of quarry materials to Taganito HPAL Nickel Corporation (THNC). In 2021, Taganito Mining Corporation (TMC) delivered 387,677 bank cubic meter (bcm) only of quarry materials compared to 1,019,473 bcm in 2020.

#### *Services and Others (excluding sale of quarry materials)*

The Group's revenue from services and others improved by 3% to ₱646.1 million from ₱629.5 million following the 17% increase in the materials handled by Rio Tuba Nickel Mining Corporation (RTN) and CDTN Services Company Inc. (CDTN) for Coral Bay Nickel Corporation (CBNC) and TMC for THNC. Services revenue largely consists of payments made in consideration for hauling, manpower and other ancillary services that RTN and CDTN provide to CBNC and TMC to THNC, and usage fee charged by TMC to THNC for the use of its pier facility.

### *Sale of Power*

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

Meanwhile, the energy delivered by NAC's diesel power plant in 2021 was considerably higher by 74% compared to 2020 due to higher load nomination from Surigao del Norte Electric Cooperative, Inc. (SURNECO), the sole customer of the diesel power plant. This increase in energy output translates to 8% increase in revenue from the diesel power plant.

### Costs

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

#### *Cost of Sales*

The Group's cost of sales increased by 1% to ₱7,611.8 million in 2021 compared to ₱7,520.0 million in 2020.

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

#### *Cost of Power Generation*

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

#### *Cost of Services*

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

### Operating Expenses

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

#### *Excise Taxes and Royalties*

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

#### *Shipping and Loading Costs*

Shipping and loading costs went up by 6% because of the 8% increase in volume of ore export sales. Advance ship loading activities were conducted by the mines which increased the contracted services for the Land Craft Transports (LCTs). Moreover, the Group incurred higher



equipment rental due to late arrival of in-house equipment as a result of the COVID-19 restrictions and increase in fuel consumption in some of the mines due to the long distance from stockpile area to barge/loading area.

#### *General and Administrative*

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

#### *Marketing*

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

#### Finance Income

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

#### Finance Expenses

The drop in the Group's finance expenses by 11%, to ₱244.1 million from ₱274.5 million, was driven by the continuous decline in the London Inter-Bank Offered Rate (LIBOR) from an average of 1.23% to 0.21% as a result of the COVID-19 global pandemic. Likewise, domestic borrowing rate fell from an average of 6.19% to an average of 5.23% and guarantee fee rate from 1% to 0.6% starting September 2020.

#### Equity in Net Income of Associates.

Following higher nickel LME prices, the Company recognized a gain from its equity share in investments in the two (2) HPAL plants in the combined amount of ₱557.9 million in 2021 compared to ₱190.4 million in 2020.

#### Other Income (Charges) - Net

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

#### Provision for Income Tax - Net

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

#### Net Income

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

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

**Revenues**

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

**Sale of Ore**

The Group exported a total of 10.02 million WMT of nickel ore in 2020, down 4% from 10.44 million WMT in 2019. However, ore export prices increased 45% from \$23.52 per WMT of ore sold in 2019 to \$33.99 per WMT in 2020.

With respect to ore deliveries to THNC and CBNC plants, the pricing of which is linked to the LME, the Group delivered 8.18 million WMT in 2020 at an average price of \$6.22 per pound of payable nickel. This compares to 8.39 million WMT in 2019 at an average price of \$6.23 per pound of payable nickel.

On a combined basis, the Group sold a total of 18.20 million WMT at \$22.46 per WMT and 18.84 million WMT at \$16.69 per WMT in 2020 and 2019, respectively. The significant improvement in the realized nickel price of the combined ore exports and ore deliveries to the two (2) plants in 2020 more than offset the slight decline in sales volume and the less favorable Peso to US\$ exchange, resulting to total revenues increasing by 21%.

On a per mine basis, the Group's Taganito mine accounted for 47% of total shipments in 2020. The mine shipped 3.63 million WMT of saprolite ore and delivered 4.89 million WMT of limonite ore to the Taganito HPAL plant, or a total combined shipment of 8.52 million WMT. The comparable figures for 2019 were 4.18 million WMT of saprolite ore and 4.98 million WMT of limonite ore, of which 4.93 million WMT were delivered to the Taganito HPAL plant, or a combined shipment of 9.16 million WMT.

The Rio Tuba mine accounted for 28% of total shipments, consist of 1.98 million WMT of saprolite ore and 3.03 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.01 million WMT. The comparable figures for 2019 were 1.45 million WMT and 3.43 million WMT or a total of 4.88 million WMT.

Shipments from the Group's Hinatuan mine amounted to 1.68 million WMT in 2020 compared to 2.02 million WMT in 2019. On the other hand, the Cagdianao mine shipped 2.66 million WMT of saprolite ore and 0.33 million WMT of limonite ore in 2020 as against 2.75 million WMT and 0.03 million WMT in 2019.

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

**Sale of Limestone**

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

**Sale of Quarry Materials**

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

### *Services and Others (excluding sale of quarry materials)*

The Group's revenue from services and others declined by 8% to ₱629.5 million from ₱681.7 million following the 4% decrease in the materials handled by RTN for CBNC.

### *Sale of Power*

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

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

### Costs

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

### *Cost of Sales*

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

### *Cost of Power Generation*

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

### *Cost of Services*

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

### Operating Expenses

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

### *Excise Taxes and Royalties*

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

### *Shipping and Loading Costs*

Shipping and loading costs went up by 20% due to net demurrage incurred amounting to ₱70.0 million in 2020 compared to ₱23.1 million in 2019. Aside from this, LCT with bigger capacities were chartered in 2020. The Group also shared in the charter fee during the quarantine period of the affected LCT's. However, the increase was partially offset by the decline in fuel consumption due to COVID-19 pandemic, coupled with the decrease in fuel price by around 25%.

### *General and Administrative*

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

### *Marketing*

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

### Finance Income

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

### Finance Expenses

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

### Equity in Net Income of Associates

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

### Other Income (Charges) - Net

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

### Provision for Income Tax - Net

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

### Net Income

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

## **Calendar year ended December 31, 2019 compared with calendar year ended December 31, 2018**

### Revenues

NAC's total revenues in 2019 was ₱17,923.3 million, lower by ₱724.4 million or 4% compared to ₱18,647.7 million in 2018. The Group sold an aggregate 18.84 million WMT of nickel ore in 2019 as against 19.35 million WMT in 2018. The Group focused more on shipments of its higher value saprolite ore to China resulting to a decline in export shipments in 2019. Lower

export shipments combined with a less favorable Peso to US\$ exchange rate led to the decline in revenue.

#### *Sale of Ore*

The decrease in shipment volume resulted to a decrease in the Group's value of shipments by 6% to ₱16,255.6 million from ₱17,294.3 million.

Of the total volume of ore shipped, direct export of ore, which accounted for 55% of total shipments, dropped to 10.44 million WMT in 2019 from 11.54 million WMT in 2018. On the other hand, ore deliveries to both the Coral Bay and Taganito processing plants, which accounted for the balance, increased to 8.39 million WMT in 2019 compared to 7.81 million WMT in 2018.

In terms of price, the Group realized an average of \$6.23 per pound of payable nickel on its shipments of ore to the two (2) HPAL plants in 2019, the pricing of which is linked to the LME. This compares to an average price of \$5.95 per pound of payable nickel sold in 2018. However, when expressed in US\$ per WMT, which also accounts for the cobalt credits that the Group receives for the cobalt contained in its ore, the Group achieved a realized price of \$8.19 per WMT, lower compared to the \$9.97 per WMT achieved in 2018.

With respect to export sales, the Group achieved an average price of \$23.52 per WMT compared to \$21.53 per WMT realized in 2018. On a combined basis, the average price received for sales of both ore exports and ore deliveries to the two (2) plants in 2019 was \$16.69 per WMT, slightly lower than the \$16.86 achieved in 2018.

On a per mine basis, the Group's Taganito mine accounted for 49% of total shipments in 2019. The mine shipped 4.18 million WMT of saprolite ore and 4.98 million WMT of limonite ore, of which 4.93 million WMT were delivered to the Taganito HPAL plant, or a total combined shipment of 9.16 million WMT. The comparable figures for 2018 were 4.01 million WMT of saprolite ore and 4.80 million WMT of limonite ore, of which 4.25 million WMT were delivered to the Taganito HPAL plant, or a combined shipment of 8.81 million WMT.

The Rio Tuba mine accounted for 26% of total shipments, which consisted of 1.45 million WMT of saprolite ore and 3.43 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 4.88 million WMT. The comparable figures for 2018 were 2.20 million WMT and 3.55 million WMT or a total of 5.75 million WMT.

Shipments from the Group's Hinatuan mine was 2.02 million WMT in 2019 compared to 2.15 million WMT in 2018. On the other hand, the Cagdianao mine shipped 2.78 million WMT in 2019 versus 2.64 million WMT in 2018.

The realized Peso/US\$ exchange rate for ore sales was ₱51.72 in 2019 compared to ₱53.00 in 2018.

#### *Sale of Limestone*

Rio Tuba's revenue from sale of limestone slightly went down to ₱414.2 million in 2019 from ₱447.3 million in 2018.

#### *Sale of Quarry Materials*

In October 2019, TMC and THNC entered into a Materials Supply Agreement wherein THNC agrees to purchase and take delivery from TMC an aggregate of 1,000,000 compacted cubic meters of suitable and unsuitable construction materials for THNC's expansion of its tailing storage facility, thus revenues from quarry materials were earned.

#### *Services and Others (excluding sale of quarry materials)*

The Group's revenue from services and others improved by 9% to ₱681.7 million in 2019 from ₱627.7 million in 2018.

#### *Sale of Power*

Sale of power jumped by 41% to ₱392.3 million from ₱278.4 million on account of the diesel power plant of NAC in Surigao operating at full capacity of 10MW by end of 2019 compared to 3-6MW capacity in 2018. This also includes the CRF billed by the diesel power plant to SURNECO which amounted to ₱111.9 million in 2019 as against ₱22.4 million in 2018 mainly because the plant was operating at full capacity in 2019 compared to 2018.

#### Costs

The Group's costs went up by 5% or ₱365.4 million, from ₱7,449.8 million to ₱7,815.2 million.

#### *Cost of Sales*

The Group's cost of sales increased by 5% to ₱7,105.9 million in 2019 compared to ₱6,771.0 million in 2018 due to higher production volume and cost per WMT during 2019. There was also a change in sales mix such as the shipments of saprolite ore in China, which have relatively high cost, was higher in 2019 compared to 2018. In addition, cost pertaining to the sale of quarry materials were incurred in 2019.

#### *Cost of Power Generation*

Cost of power generation climbed by 5% to ₱377.5 million from ₱360.6 million mainly on account of the diesel power plant operating at full capacity in 2019.

#### *Cost of Services*

Cost of services grew by 4% to ₱331.8 million from ₱318.3 million. The increase in cost of services was attributable mainly to the increase in materials handled by RTN for CBNC.

#### Operating Expenses

The Group's operating expenses amounted to ₱4,867.4 million in 2019 compared to ₱5,106.8 million in 2018, a decrease of ₱239.4 million, or 5%.

#### *Excise Taxes and Royalties*

NAC's excise taxes and royalties in 2019 was lower by 1% to ₱1,787.3 million from ₱1,804.0 million because of lower volume and value of shipments in 2019.

#### *Shipping and Loading Costs*

Shipping and loading costs dropped by 9% because of lower net demurrage incurred in 2019, which amounted to ₱23.1 million only compared to ₱40.9 million in 2018, lower shipment volume, decrease in other services and fees incurred and longer chartering period in 2018 compared to 2019.

#### *General and Administrative*

General and administrative expenses slid by 5% from ₱1,213.0 million to ₱1,156.0 million in 2019 mainly due to decrease in representation expenses by ₱23.7 million and adoption of PFRS 16 wherein, instead of recognizing a rent expense, a right-of-use (ROU) assets for leases that falls within the definition of the standard was recognized in the statement of financial position.

#### *Marketing*

Marketing costs went up by 12% from ₱140.2 million to ₱157.0 million in 2019 driven mainly by the increase in the commission paid by CMC to its claim owner.

### Finance Income

The Group's finance income went up by 14% to ₱405.6 million in 2019 from ₱354.8 million in 2018 which arose mainly from higher interest income from short-term cash placements.

### Finance Expenses

The Group's finance expenses also rose by 40% to ₱343.7 million from ₱245.6 million due to higher interest rate repricing for bank loans.

### Equity in Net Income of Associates

The drop in the Company's equity share in net income from the two (2) plants from ₱348.2 million to ₱10.4 million is mainly attributable to the decline in the average realized price of cobalt, which fell from \$37.35 per pound in 2018 to \$16.57 per pound in 2019.

### Other Income (Charges) - Net

NAC's other income - net went up by 178% to ₱168.8 million income from ₱217.0 million charges due to the impact of a steady appreciation of the peso vis-à-vis the US\$ which resulted to a net foreign exchange loss of ₱263.7 million in 2019, a turnaround from a gain of ₱362.8 million in 2018. However, the decline in 2019 was partially offset by the recognized gains on fair value changes of financial assets amounting to ₱347.7 million, as a result of improved market condition, compared to ₱143.7 million loss in 2018. Moreover, in 2018, the Group prudently set aside ₱514.9 million provision for impairment losses for the uncollected advances made by JSI to the contractor for the construction of its solar power facility in Subic Bay Freeport Zone.

### Provision for Income Tax - Net

The Group's net provision for income tax was lower by 21% due to lower taxable income base.

### Net Income

As a result of the foregoing, NAC's consolidated net income was ₱3,826.4 million in 2019 compared to ₱4,222.9 million in 2018. Net of non-controlling interests, our net income was ₱2,685.0 million in 2019, lower by 11% compared to ₱3,008.1 million in 2018.

## **FINANCIAL POSITION**

### **Calendar year as at December 31, 2021 and 2020**

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

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

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

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

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

NAC's equity net of non-controlling interests as at December 31, 2021 improved by 6% to

₱32,939.8 million due to the Group's continued profitable operations net of cash dividends paid.

### **Calendar year as at December 31, 2020 and 2019**

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

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

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

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

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

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

### **Calendar year as at December 31, 2019 and 2018**

As at December 31, 2019, NAC's total assets slightly climbed to ₱48,262.0 million from ₱46,032.5 million as of the end of 2018.

Current assets slightly went up to ₱22,023.3 million from ₱20,980.7 million. Cash and cash equivalents as of yearend 2019 was higher than 2018 since there were no special cash dividends declared and paid in 2019.

Noncurrent assets improved by 5% from ₱25,051.8 million to ₱26,238.7 million due to the following:

1) adoption of PFRS 16 wherein, instead of recognizing an expense, a ROU assets were recognized for leases that falls within the definition of the standard. Total ROU assets that were capitalized in 2019 amounted to ₱637.0 million; 2) adjustments in the capitalized cost of mine rehabilitation and decommissioning amounting to ₱204.8 million; and 3) increase in the market value of the investments in Keyland Ayala Properties, Inc. of ₱204.9 million.

Current liabilities rose by 1% to ₱9,920.5 million from ₱9,866.1 million due to the ₱141.6 million increase in income tax payable.

Noncurrent liabilities rose by 18% to ₱3,210.2 million from ₱2,715.6 million due to the adjustments in the capitalized cost of mine rehabilitation and decommissioning by ₱204.8 million and recognition of noncurrent portion of lease liabilities, as a result of PFRS 16 adoption, amounting to ₱581.5 million. However, the increase was partially offset by JSI's full payment of its ₱300.0 million long-term bank loan.

NAC's equity net of non-controlling interests as at December 31, 2019 slightly improved by 6% to ₱31,370.0 million due to continued profitable operations net of cash dividends paid.



## **CASH FLOWS**

### **Calendar year as at December 31, 2021, 2020 and 2019**

Net cash flows from operating activities in 2021 amounted to ₱9,676.4 million compared to ₱8,777.8 million in 2020 and ₱5,833.4 million in 2019. Proceeds from sale of ore in 2021 and 2020 were higher than 2019 because of higher ore sales prices in the two (2) most recent years.

Net cash used in investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets pertaining to debt and equity securities. In 2021, 2020 and 2019, the Parent Company's net acquisitions of debt and equity securities amounted to ₱986.7 million, ₱813.2 million and ₱103.8 million, respectively, and the net acquisitions of property and equipment were ₱1,758.3 million ₱2,130.6 million and ₱1,250.5 million, respectively. Moreover, in 2019, the Group issued loans amounting to ₱543.8 million. Due to these, cash flows used in investing activities amounted to ₱2,819.4 million in 2021, ₱2,858.2 million in 2020 and ₱1,573.1 million in 2019.

Cash used in financing activities were spent mainly for payments of cash dividends, short-term and long-term debts plus the related interest which amounted to a total of ₱9,526.1 million, ₱7,431.3 million and ₱4,214.6 million in 2021, 2020 and 2019, respectively. In 2021 and 2020, special cash dividends were declared and paid while there was none in 2019, thus higher financing costs were incurred in the two (2) most recent years.

As at December 31, 2021, 2020 and 2019, cash and cash equivalents amounted to ₱10,826.8 million, ₱11,835.2 million and ₱11,943.1 million, respectively.

### **Unaudited Interim Consolidated Financial Statements as at March 31, 2022 (with Comparative Audited Statement of Financial Position as at December 31, 2021) and for the three-month period ended March 31, 2022 and 2021**

The Unaudited Interim Consolidated Financial Statements as at March 31, 2022 (with Comparative Audited Statement of Financial Position as at December 31, 2021) and for the three-month period ended March 31, 2022 and 2021 are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2022 and 2021 and as at March 31, 2022 and December 31, 2021:

#### **Summary Consolidated Statements of Income**

	<b>For the Three Months Ended March 31</b>		<b>Increase (Decrease)</b>	<b>Percent Inc (Dec)</b>
	<b>2022</b>	<b>2021</b>		
	<i>(In Thousand Pesos)</i>			
Revenues	₱3,693,135	₱3,167,580	₱525,555	17%
Costs	(1,258,041)	(1,225,695)	32,346	3%
Operating expenses	(639,147)	(624,630)	14,517	2%
Finance income	20,305	67,251	(46,946)	-70%
Finance expenses	(61,320)	(61,146)	174	0%
Equity in net income of associates	305,181	114,926	190,255	166%
Other income - net	26,260	11,026	15,234	138%
Provision for income tax - net	(499,251)	(480,079)	19,172	4%
Net income	<u>₱1,587,122</u>	<u>₱969,233</u>	<u>₱617,889</u>	<u>64%</u>
Net income attributable to:				
Equity holders of the parent	₱1,053,858	₱584,097	₱469,761	80%
Non-controlling interests	533,264	385,136	148,128	38%
	<u>₱1,587,122</u>	<u>₱969,233</u>	<u>₱617,889</u>	<u>64%</u>

### Summary Consolidated Statements of Financial Position

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	Increase (Decrease)	Percent Inc (Dec)
<i>(In Thousand Pesos)</i>				
Current assets	P23,566,362	P24,011,065	(P444,703)	-2%
Noncurrent assets	28,337,521	27,689,817	647,704	2%
<b>Total assets</b>	<b>P51,903,883</b>	<b>P51,700,882</b>	<b>P203,001</b>	<b>0%</b>
Current liabilities	P10,292,375	P11,924,982	(P1,632,607)	-14%
Noncurrent liabilities	3,628,124	3,446,700	181,424	5%
Equity attributable to equity holders of the parent	34,060,687	32,939,767	1,120,920	3%
Non-controlling interests	3,922,697	3,389,433	533,264	16%
<b>Total liabilities and equity</b>	<b>P51,903,883</b>	<b>P51,700,882</b>	<b>P203,001</b>	<b>0%</b>

### Summary Consolidated Statements of Cash Flows

	For the Three Months Ended March 31 2022	2021	Increase (Decrease)	Percent Inc (Dec)
<i>(In Thousand Pesos)</i>				
Net cash flows from (used in):				
Operating activities	P2,020,754	P543,607	P1,477,147	272%
Investing activities	142,955	(426,566)	569,521	134%
Financing activities	(1,882,420)	(728,471)	1,153,949	158%
Net increase (decrease) in cash and cash equivalents	281,289	(611,430)	892,719	146%
Cash and cash equivalents, beginning	10,826,806	11,835,201	(1,008,395)	-9%
Cash and cash equivalents, end	<b>P11,108,095</b>	<b>P11,223,771</b>	<b>(P115,676)</b>	<b>-1%</b>

## **RESULTS OF OPERATIONS**

### Revenues

	2022	2021
	<i>(In Thousands)</i>	
Sale of ore and limestone	P3,383,001	P2,901,043
Services and others	170,755	189,784
Power	139,379	76,753
	<b>P3,693,135</b>	<b>P3,167,580</b>

Revenues during the first quarter of 2022 was P3,693.1 million, higher by P525.6 million or 17%, compared to P3,167.6 million during the same period last year.

### *Sale of Ore*

Income during the first quarter of the year was achieved mainly due to higher ore sales prices. The continued strong demand for stainless steel and the accelerating trend in demand in the electric vehicle market have been beneficial to the metals and mining business.

Although nickel ore sales volume decreased by 10%, from 2.65 million WMT in the first quarter last year to 2.39 million WMT in the same period this year, revenue from the sale of nickel ore increased 17% year-on-year, from P2.85 billion in 2021 to P3.32 billion in 2022, as the weighted average realized price of ore sold increased 22% from \$22.21 per WMT last year to \$27.03 per WMT this year.

Breaking down the ore sales, the Group exported 0.65 million WMT of saprolite and limonite ore to Japanese and Chinese customers at the weighted average price of \$46.90 per WMT in the first three months of the year, compared to 0.84 million WMT at \$45.60 per WMT in the same period last year. Likewise, the Group delivered 1.74 million WMT of limonite ore to the Coral Bay and Taganito HPAL plants, the prices of which are linked to the LME, and realized an average price of \$11.80 per pound of payable nickel. This compares to 1.81 million WMT at \$7.96 per pound of payable nickel in the first quarter of 2021. Expressed in US\$ per WMT, deliveries to the two HPAL plants generated \$19.58 and \$11.29 in the first quarter of 2022 and 2021, respectively.

The realized peso to US\$ exchange rate for ore sales was ₱51.51 during the first quarter of 2022 compared to ₱48.38 during the same period last year.

On a per mine basis, the Group's Rio Tuba mine exported 0.65 million WMT of saprolite ore and delivered 0.76 million WMT of limonite ore to the Coral Bay processing plant during the first quarter of 2022. This compares to sales of 0.73 million WMT of saprolite ore and 0.80 million WMT of limonite ore to the Coral Bay processing plant during the same period last year.

The Group's Taganito mine delivered 0.98 million WMT of limonite ore to the Taganito processing plant during the first quarter of 2022. Compared to the same period last year wherein there were 54.40 thousand WMT of saprolite ore and 1.00 million WMT of limonite ore delivered to the Taganito processing plant.

The Company's Hinatuan and Cagdianao mines have no shipments during the first quarter of 2022 but HMC was able to ship 56.44 thousand WMT of limonite ore during the first quarter of 2021.

#### *Sale of Limestone*

Due to the 33% drop in limestone deliveries, Rio Tuba's revenue from sale of limestone during the first quarter of 2022 was lower by 25% at ₱58.8 million compared to ₱78.6 million during the same period last year.

#### *Services and Others*

##### *Sale of Quarry Materials*

Compared to first quarter of 2021 wherein TMC delivered 314,167 bank cubic meter of quarry materials, there were no deliveries to THNC during the first quarter of 2022.

##### *Services*

Services revenue largely consists of payments made in consideration for the hauling, manpower and other ancillary services that Rio Tuba Nickel Mining Corporation, CDTN, and TMC provides to either CBNC or THNC and usage fee charged by TMC to THNC for the use of its pier facility. Service revenue was lower by ₱18.4 million, from ₱189.2 million to ₱170.8 million, because of the 11% decline in the volume of materials handled.

##### *Sale of Power*

Revenue from sale of power during the first quarter of 2022 amounted to ₱139.4 million, or 82% higher than last year's ₱76.8 million. The energy generated by the Group's solar power plant was higher by 152% or by 14 million kWh compared to the same period last year. A portion of the energy generated was attributable to the completion and energization of Phase 3A, which contributed 30 MWp starting second quarter of 2021. The average effective price for the first quarter of 2022 was higher by 11% at ₱4.23/kWh as against ₱3.80/kWh for the first quarter of 2021.

### Costs

Costs slightly went up by 3% or ₱32.3 million, from ₱1,225.7 million to ₱1,258.0 million.

	2022	2021
	(In Thousands)	
Cost of sales	₱1,086,935	₱1,047,711
Power generation	96,589	80,276
Services	74,517	97,708
	<u>₱1,258,041</u>	<u>₱1,225,695</u>

#### *Cost of Sales*

Cost of sales slightly increased by 4% to ₱1,086.9 million from ₱1,047.7 million primarily due to the increase in diesel cost during the first quarter of 2022. Local business tax, which was computed based on 2021 revenue, was also higher in the current period because of the favorable nickel price in 2021 which resulted to higher net income.

#### *Cost of Power Generation*

Cost of power generation went up by 20% to ₱96.6 million from ₱80.3 million following the completion and energization of Phase 3A of the solar power project in June 2021 which subsequently increase depreciation by 14%.

#### *Cost of Services*

Cost of services slid by 24% from ₱97.7 million to ₱74.5 million following the decrease in personnel cost and decrease in overhead cost on account of lower share in fixed cost. Aside from this, the volume of materials handled decreased by 11%.

### Operating Expenses

	2022	2021
	(In Thousands)	
General and administrative	₱267,524	₱228,693
Excise taxes and royalties	217,727	184,066
Shipping and loading costs	153,896	211,871
	<u>₱639,147</u>	<u>₱624,630</u>

#### *General and Administrative*

General and administrative expenses increased by 17% from ₱228.7 million to ₱267.5 million on account of the donation made to NAC Foundation Inc. and increase in amortization expense after the implementation of new accounting software.

#### *Excise Taxes and Royalties*

Excise taxes and royalties rose by 18% to ₱217.7 million from ₱184.1 million because of higher revenues resulting from higher ore prices.

#### *Shipping and Loading Costs*

Shipping and loading costs went down by 27% because of the 23% decline in the volume of ore export sales which was attributable to late start of shipment. This resulted to lower LCT rental and stevedoring and wharfage cost incurred during the current period.

#### Finance Income

Finance income significantly dropped by 70% at ₱20.3 million from ₱67.3 million as interest earned from investments in debt instruments fell from ₱56.6 million during the first quarter of 2021 to ₱6.9 million only during the first quarter of 2022.

### Finance Expenses

Finance expenses was almost the same at ₱61.3 million during the first quarter of 2022 and ₱61.1 million during the first quarter of 2021. The decline in the London Inter-Bank Offered Rate from 2.25% to 2.16% and domestic borrowing rate from an average of 5.75% to an average of 4.50%, was offset by the increase in average foreign exchange rate from ₱48.30/US\$1 to ₱51.57/US\$1.

### Equity in Net Income of Associates

As a result of higher LME prices, the Parent Company recognized gain from its equity share in its investments in the two HPAL plants in the amount of ₱305.2 million in the first quarter of 2022, a 166% increase compared to ₱114.9 million in the same period last year.

### Other Income - Net

Other income - net was at ₱26.3 million in the first quarter of 2022 compared to ₱11.0 million in the same period last year and this was driven mainly by the appreciation of US\$ compared to peso. The average foreign exchange rate was at ₱51.57 during the first quarter of 2022 as against ₱48.30 during the same period last year, as a result, the Group recognized net foreign exchange gains of ₱188.3 million in the first quarter of 2022 compared to ₱107.2 million in the same period last year. However, the increase in foreign exchange gains was partially offset by the unfavorable valuation of the Parent Company's investments leading to higher losses incurred during the current period. In addition, TMC wrote off ₱21.1 million of its input value added tax claims that were denied by the Supreme Court.

### Provision for Income Tax - Net

The net provision for income tax was higher by 4% due to higher taxable income and higher revenue during the current period.

### Net Income

As a result of the foregoing, the consolidated net income was ₱1,587.1 million during the first quarter of 2022 compared to ₱969.2 million during the same period last year. Net of non-controlling interests, the net income attributable to the equity holders of the parent for the first quarter of the current year amounted to ₱1,053.9 million compared to ₱584.1 million during the same period last year.

## **STATEMENT OF FINANCIAL POSITION**

Total assets as of March 31, 2022 close at ₱51,903.9 million compared to ₱51,700.9 million as of December 31, 2021. Current assets slid by 2% to ₱23,566.4 million from ₱24,011.1 million due to partial withdrawal of funds from local investments and collection of trade and other receivables that were used for capital asset acquisitions. Noncurrent assets was at ₱28,337.5 million from ₱27,689.8 million as at March 31, 2022 and December 31, 2021, respectively. The slight increase in noncurrent assets was attributable mainly from the Parent Company's equity share in the current period earnings of its associates and from acquisitions of property and equipment.

Current liabilities were lower by 14% from ₱11,925.0 million to ₱10,292.4 million due to payments of cash dividends in January 2022.

Noncurrent liabilities of ₱3,628.1 million was slightly higher as against end of last year's ₱3,446.7 million due to additional loans availed by JSI from TBEA International Engineering Co., Ltd. (TBEA) amounting to ₱123.9 million.

Equity net of non-controlling interests rose by 3% to ₱34,060.7 million due to the net effect of earnings during the period.

## **STATEMENT OF CASH FLOWS**

Net cash from operating activities during the first quarter of 2022 amounting to ₱2,020.8 million was higher compared to ₱543.6 million during the same period last year due to higher collections of receivables from the sale of ore on account of higher revenue during the period.

Net cash from investment activities in the first quarter of 2022 amounted to ₱143.0 million compared to net cash used in investment activities of ₱426.6 million in the same period last year. Cash from (used in) investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets in debt and equity securities. During the first quarter of 2022, the net proceeds from the sale of financial assets and property and equipment amounted to ₱3.8 million compared to the net acquisition cost of ₱359.4 million incurred during the same period last year. In line with the change in investment strategy of the Parent Company during the first quarter of 2021, some of its local investments and one offshore account were disposed of and the proceeds from the sale were used as additional fund for the opening of new offshore investment accounts. Moreover, in January 2022, the Parent Company received cash dividends from CBNC.

Net cash used in financing activities was higher in the first quarter of 2022 because cash dividends paid was at ₱1,975.0 million compared to ₱700.0 million only in the same period last year.

As at March 31, 2022 and 2021, cash and cash equivalents amounted to ₱11,108.1 million and ₱11,223.8 million, respectively.

## **TOP FIVE KEY PERFORMANCE INDICATORS**

### **1) SALES VOLUME**

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

#### **Type and Grade of Ore that NAC Mines**

NAC realizes higher sales prices for saprolite ore than for limonite ore. Accordingly, the type and grade (which is a factor of nickel content) of the ore that the Group mines affects its revenues from year to year. The quantity of saprolite ore that it mines annually depends

on the customer demand and the availability of such ore at its mine sites. The mix between high-and low-grade saprolite ore at the Group's mine sites coupled with its long-term mining plan determines the quantities of each that it extracts on an annual basis. The quantity of limonite ore that it mines on an annual basis depends on the amount of such ore that needs to be removed in order to extract the saprolite ore, as well as market demand.

In 2021 and 2020, NAC sold an aggregate of 17.94 million WMT and 18.20 million WMT, respectively.

## **2) TOTAL COST PER VOLUME SOLD**

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

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

The average total cost per volume sold in 2021 is ₱749.37 per WMT on the basis of aggregate costs of ₱13,440.2 million and a total sales volume of 17.94 million WMT of ore. This compares to ₱690.79 per WMT in 2020 on the basis of aggregate costs of ₱12,574.9 million and a total sales volume of 18.20 million WMT of ore.

## **3) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱7,812.6 million in 2021 compared to ₱4,068.7 million in 2020.

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

NAC adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. In 2018, the Department of Environment and Natural Resources (DENR), through the issuance of DAO 2018-19, prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines and provides limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. The DAO also requires that temporary revegetation be immediately implemented on the disturbed areas. All NAC operating companies are well within the norm of the DENR which is 26 hectares per million WMT sold. In 2021 and 2020, the open hectares per million WMT sold was 14.01 and 15.59, respectively.

## **5) FREQUENCY RATE**

Health and safety are integral parts of the Group's personnel policies. Its comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to its operations. The Group measures its safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2021 and 2020, NAC's frequency rate is nil and 0.05, respectively.

## **OFF-BALANCE SHEET ARRANGEMENTS**

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company, solidarily with Emerging Power Inc. (EPI), guarantees and warrants to SBC, its assigns and successors-in-interest,

prompt and full payment and performance of EPI's obligations to SBC (see Note 15 to the Consolidated Financial Statements).

On August 2, 2021, JSI entered into an Omnibus Loan and Security Agreement to document the syndicated loan with two (2) banks as lenders, i.e., SBC and International and Commercial Bank of China, with the Parent Company forming part of the Share Collateral Security Grantors and Sponsors together with EPI and TBEA (see Note 40a to the Consolidated Financial Statements).

Other than the Agreements mentioned above, NAC has not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

### **MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES**

In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US\$2.2 million to be used for the Phase 3A - 30MW solar project.

On September 23, 2021, NAC, JSI, EPI and TBEA executed the Supplemental Agreement on Shareholder Advances to agree on the shareholder advances for JSI's development of Phase 3B - 38MW. Under the terms of the Supplemental Agreement, TBEA grants JSI a loan facility amounting to US\$2.9 million.

Jobin also entered into Engineering, Procurement, and Construction Management contract with SunSource Energy Private Limited (SSEPL) for the implementation of the entire 92.86 MW phase of the Sta. Rita Solar Power Project. The scope of the service agreement between Jobin and SSEPL covers the designing, planning, engineering, procurement (manufacturing/supply), construction/erection management, testing and commissioning of the utility scale solar photovoltaic plant under Phase II. Funding to finance this project will come from internally generated funds, advances from related parties and/or borrowings from banks.

### **KNOWN TRENDS, EVENTS OR UNCERTAINTIES (Material impact on Sales)**

On February 13, 2017, HMC a wholly owned subsidiary of the Parent Company and whose tonnage consists of 10% of the Group's total production, received a letter from DENR stating that MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of RA No. 7942 or the Philippine Mining Act of 1995 as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA. The Parent Company and HMC are pursuing all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

## **IV. Brief Description of the General Nature and Scope of the Business of Nickel Asia Corporation and Subsidiaries**

### **A. Corporate Profile**

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



The Company has the following subsidiaries:

Hinatuan Mining Corporation (HMC)

HMC was incorporated on October 9, 1979 and was granted rights over the Taganaan property in 1980. Development of the property commenced in 1981 and the first commercial shipment from the Taganaan mine was made in 1982. The size of the property was expanded in 1983 with the acquisition of additional claims on adjacent properties. HMC is also the claim owner of the Manicani property in Manicani Island, Eastern Samar.

Cagdianao Mining Corporation

CMC was incorporated on July 25, 1997 and acquired the right to operate the Cagdianao mine in 1998.

Dinapigue Mining Corporation (DMC)

DMC was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits in Dinapigue, Isabela. DMC was acquired by the Parent Company in August 2015. Currently, DMC is transitioning from construction and development stage to production stage.

Samar Nickel Mining Resources Corporation (SNMRC)

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

CDTN Services Company Inc.

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

Coral Pearl Developments Limited (CPDL)

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

La Costa Shipping and Lighterage Corporation (LCSLC)

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

Falck Exp Inc. (FEI)

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

Emerging Power Inc.

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

Mindoro Geothermal Power Corporation (MGPC)

MGPC was incorporated on May 7, 2014, and is primarily engaged in the renewable energy business. MGPC project is estimated to supply 40MW of power over twenty five (25) years.

Biliran Holdings Inc. (BHI)

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

Northern Palawan Power Generation Corporation (NPPGC)

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

Jobin-SQM Inc.

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

Cordillera Exploration Co., Inc. (CEXCI)

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

Newminco Pacific Mining Corporation (Newminco)

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

Taganito Mining Corporation

TMC was incorporated on March 4, 1987, and is primarily engaged in the mining and exporting of nickel saprolite and limonite ore, and exploration activities. The first commercial shipment from the Taganito mine was made in 1989. TMC also provides services to THNC which involves the handling, hauling and transportation of materials required in the processing operations of THNC.

Rio Tuba Nickel Mining Corporation

RTN was incorporated on July 15, 1969 to develop the nickel ore deposits discovered at the Rio Tuba mine site in 1967. It was granted rights over the Rio Tuba property in 1970 and commenced mining in 1975. RTN made its first commercial shipment in 1977. RTN also provides services to CBNC which involves the handling, hauling and transportation of materials required in the processing operations of CBNC up to May 2021.

Biliran Geothermal Incorporated (BGI)

BGI was incorporated on October 31, 2007. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution

with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI was acquired by BHI in December 2015. In 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the DOE.

## **B. Business Overview**

NAC exports saprolite and limonite ore to customers in Japan and China. NAC's customers use its ore for the production of ferronickel and nickel pig iron (NPI), both used to produce stainless steel, and for the production of pig iron used for carbon steel. NAC is also the exclusive supplier of limonite ore to the Coral Bay plant, the country's first hydrometallurgical nickel processing plant owned by CBNC, where NAC has a 10% equity interest. CBNC became operational in 2005 and currently operates at a capacity of 24,000 tonnes of contained nickel and 2,000 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. It has proven to be the world's most efficient facility using the high-pressure acid leach (HPAL) process.

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

Apart from NAC's four operating mines, NAC has other properties in various stages of exploration for nickel, while continuing to seek opportunities in copper and gold. In November 2010, NAC concluded the purchase of CExCI from Anglo American Exploration (Philippines), Inc. (Anglo American), with four properties in the Central Cordillera of northern Luzon that are prospective for gold and copper. The purchase marks the Company's first step in its vision to become a diversified mineral resource company. In November 2011, SMM acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

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

In August 2015, NAC also concluded the purchase of 100% equity interest in DMC, which is the claim owner of the Isabela Nickel Project in Dinapigue, Isabela. Currently, DMC is transitioning from construction and development stage to production stage.

NAC also moved into the area of renewable energy and power generation. In 2018, it completed the construction of a 10MW diesel power plant at a cost close to P1,000.0 million. Power is currently being sold to the SURNECO under a PSA. The diesel

power plant, which commenced operations in 2018, is designed to alleviate the shortage of power particularly in Surigao City.

NAC's entry into the renewable power business was formalized in 2015 with the conversion of a ₱446.0 million loan to equity and an additional equity infusion of ₱474.0 million, which corresponds to an equity ownership in EPI of 66%. In 2016, NAC subscribed to additional common shares of EPI for ₱660.0 million and this increased NAC's equity interest in EPI to 70.92%. In 2020, NAC's equity interest in EPI stood at 86.29% as a result of fresh equity infusion of ₱1.5 billion in September 2017.

EPI's mission is to engage in power generation exclusively from renewable sources. As of December 31, 2021, EPI has a number of Renewable Energy Service Contracts signed with the DOE, i.e., two (2) 100MW solar service contracts under JSI, located in the Subic Bay Freeport Zone; two (2) geothermal service contracts under Biliran Geothermal Incorporated (BGI), in the province of Biliran, Leyte; and a geothermal service contract under MGPC in Naujan, Oriental Mindoro.

JSI completed testing and commissioning of 32MW of solar power, comprising Phases 1 and 2 of the Sta. Rita Solar Power Project (Solar Project) in 2017. In 2018, the Energy Regulatory Commission (ERC) extended the effectivity of JSI's Provisional Authority to Operate (PAO) the 32MW solar plant until May 14, 2019. In January 2019, JSI received the Certificate of Compliance (COC) from the ERC for Phases 1 and 2 - 32MW of the Solar Project, valid for a period of five years from November 2016 to November 2021 until revoked or suspended. The COC was issued subsequent to the authorization granted by the ERC to JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW Solar Project to the Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation in December 2018. In November 2021, pursuant to JSI's COC renewal application, the ERC extended the PAO for Phases 1 and 2 for a period of one year or up to November 2022.

Moreover, in June 2021, the ERC granted a PAO for JSI's Phase 3A - 30MW for one year or up to June 2022. As at December 31, 2021, Phases 1, 2 and 3A of the solar farm project with total capacity of 62MW are in commercial operations. The remaining Phase 3B - 38MW is currently under construction and expected to be completed by second quarter of 2022.

In 2020, JSI applied for a second 100MW solar service contract also located at the Subic Bay Freeport Zone. The new service contract of JSI was awarded on February 3, 2021. The project is still in the pre-development stage.

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

In 2017, BGI successfully split its existing Geothermal Renewable Energy Service Contract (GRESK) into two (2). The previous GRESK almost covered the entire island province of Biliran, but in the new setup it delineates the southern portion as Biliran 1 and the northern portion as Biliran 2. Biliran 1 covers the existing developed infrastructure (i.e.,

four (4) well pads, eight (8) standard deep wells, roads, etc.) and has a Probability-90 Assessment that confirms a 100MW capacity. Biliran 2 is the yet-to-be-developed area save for surface studies and a Probability-50 Assessment of some 170MW capacity. This delineation allows BGI to focus on the more immediately executable Biliran 1 and gives BGI more time to develop Biliran 2. Biliran 1 continued its facility maintenance while making plans for a phased power generation development.

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

In 2020, MGPC decided to conduct an assessment of the best technique to flow the two (2) geothermal wells. As part of the well testing program submitted by MGPC to DOE, downhole measurements will be conducted to confirm the temperature and the suitability of the wells for flow testing. Thereafter, MGPC will implement the flow test to update the resource assessment and plan the development drilling. In 2021, MGPC entered into a Memorandum of Agreement with SRE on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago Geothermal Field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system. As at December 31, 2021, the electrical submersible pump to be used for the flow test is being manufactured based on the updated temperature data from the geothermal wells.

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

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

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

## V. The Market Price and Dividends

### Market Information

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

	High	Low
<b>2019</b>		
1 <sup>st</sup> Quarter	₱2.88	₱2.22
2 <sup>nd</sup> Quarter	₱2.58	₱2.09
3 <sup>rd</sup> Quarter	₱4.90	₱2.16
4 <sup>th</sup> Quarter	₱4.19	₱2.89
<b>2020</b>		
1 <sup>st</sup> Quarter	₱3.21	₱1.36
2 <sup>nd</sup> Quarter	₱1.95	₱1.36
3 <sup>rd</sup> Quarter	₱3.36	₱1.70
4 <sup>th</sup> Quarter	₱5.60	₱2.98
<b>2021</b>		
1 <sup>st</sup> Quarter	₱6.32	₱4.70
2 <sup>nd</sup> Quarter	₱5.70	₱5.01
3 <sup>rd</sup> Quarter	₱6.21	₱5.27
4 <sup>th</sup> Quarter	₱5.70	₱4.90
<b>2022</b>		
1 <sup>st</sup> Quarter	₱9.52	₱5.07

The Company's stocks share price was at ₱7.84 per share as of March 31, 2022.

### Holders

The top 20 stockholders of the Company as of March 31, 2022 are:

<b>STOCKHOLDERS' NAME</b>	<b>NUMBER OF SHARES</b>	<b>% OF OWNERSHIP</b>
PCD Nominee Corporation (Filipino)	7,333,301,832	53.80%
Sumitomo Metal Mining Philippine Holdings Corporation	2,600,384,267	19.08%
PCD Nominee Corporation (Non-Filipino)	2,441,837,319	17.91%
Nonillion Holding Corp.	1,186,000,000	08.70%
Gerard H. Brimo	26,641,344	00.20%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	20,880,000	00.15%
Sze Kou For or Sze Wing Wah Eric	12,000,000	00.09%
Ricardo Sy Po or Angelita Tan Po or Leonardo Arthur Tan Po	8,508,377	00.06%
Ronaldo B. Zamora	2,340,403	00.02%
Megastar Real Estate Corporation	2,340,000	00.02%

<b>STOCKHOLDERS' NAME</b>	<b>NUMBER OF SHARES</b>	<b>% OF OWNERSHIP</b>
Koh Teng Ong Chong	1,967,040	00.01%
Rolando R. Cruz	1,106,914	00.01%
CHS Capital Holdings, Inc.	750,000	00.01%
Eva Policar-Bautista	658,123	00.00%
Jose B. Anievas	573,750	00.00%
Steven Ivan Lim Yu	523,530	00.00%
Josephine Chua Lim	457,200	00.00%
RMJ Development Corporation	405,000	00.00%
Regina Capital Dev. Corp. 000351	381,900	00.00%
Ludwig Henrich Alfred Maulbecker	350,000	00.00%
Grewal Beant Singh	252,000	00.00%

As of March 31, 2022, the Company has ninety-one (91) stockholders.

### Dividends

The following table shows the dividends declared and paid to common shareholders for the years ended December 31, 2021, 2020, and 2019:

#### **Cash Dividends**

<u>Year</u>	<u>Date</u>			<u>Dividend Per Share</u>	<u>Amount Declared (in millions)</u>
	<u>Declaration</u>	<u>Record</u>	<u>Payment</u>		
<i>Regular</i>					
2021	March 11, 2021	March 25, 2021	April 8, 2021	₱0.09	₱1,226.8
2020	March 13, 2020	March 27, 2020	April 8, 2020	0.08	1,090.6
2019	March 14, 2019	March 28, 2019	April 12, 2019	0.07	957.2
<i>Special</i>					
2021	November 4, 2021	November 18, 2021	December 2, 2021	₱0.22	₱2,998.8
2021	March 11, 2021	March 25, 2021	April 8, 2021	0.14	1,908.3
2020	August 7, 2020	August 24, 2020	September 4, 2020	0.22	2,998.8

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

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

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

## **VI. Compliance with Leading Practices on Corporate Governance**

The Company is committed to the principles of sound corporate governance and believes that it is a necessary component of what constitutes sound strategic business investment. The Manual has institutionalized the principles of good corporate governance within the Company and embodies the framework of rules, systems and processes that governs the performance by the Board of Directors (Board) and of Management of their respective duties and responsibilities to the shareholders.

The Company adopted its Manual on Corporate Governance (the "Manual") on June 16, 2010 and the amendments thereto on March 25, 2011, so as to incorporate certain mandatory provisions of the Revised Code of Corporate Governance. The Amended Manual was submitted to the SEC on March 31, 2011. On July 30, 2014, the Company further amended the Manual to incorporate the provisions mandated under SEC Memorandum Circular No. 9, series of 2014.

On May 29, 2017, the Company's Board of Directors approved and adopted a new Manual on Corporate Governance (the "New Manual") in compliance with SEC Memorandum Circular No. 19, Series of 2016. The New Manual incorporates the Company's Policy on Board Nominations and Election of Directors, Policy and System Governing Related Party Transactions, Internal Audit Charter and Charter of the Board of Directors. Each of the Committees of the Board of Directors, namely, the Audit Committee, the Corporate Governance Committee, the Nominations Committee, the Board Risk Oversight Committee and the Related Party Transactions Committee, have their own charters which form integral parts of the New Manual.

The Board, Officers and employees of the Company commit themselves to the principles of sound corporate governance provided in the New Manual and acknowledge that the same shall serve as a guide in the attainment of the Company's corporate goals, the creation of value for all its shareholders, and in sustaining the Company's long-term viability.

The Board likewise approved and adopted the Code of Business Ethics (the "Code") in furtherance of its commitment to good and effective corporate governance. The Code applies to Directors, Officers and employees of the Company and its subsidiaries, who are all expected to maintain high ethical standards of conduct and to comply fully with applicable laws and governmental regulations. It is designed to ensure consistency in how they conduct themselves within the Company, and outside of the Company in their dealings with all stakeholders.

On August 6, 2019, the Board approved and adopted a Revised Policy and System on Related Party Transactions, in compliance with Securities and Exchange Commission Memorandum Circular No. 10, Series of 2019.

The New Manual, the Code, and the Company's policies on Insider Trading; Conflict of Interest; Procurement Governance; Gifts, Hospitality and Entertainment; Whistleblowing; Related Party Transactions; as well as salient details on its policies on Cash Dividends; Sustainability; and Policy and Data Related to Health, Safety and Welfare; and other information relating to the Company's compliance with corporate governance principles are available on the Company's website at <http://www.nickelasia.com/corporategovernance>.



## **Board of Directors**

The Board is primarily responsible for the governance of the Company and shall provide the policies for the accomplishment of corporate objectives, including the means by which to effectively monitor Management's performance. It is the Board's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

The Company's Board is comprised of nine (9) Directors, two (2) of whom are Independent Directors. The New Manual provides for qualifications of Directors, which allows shareholders to freely choose/nominate Directors coming from diverse professional backgrounds. Every shareholder, regardless of number of stocks held, has the right to nominate candidates for election to the Board of Directors.

All Directors of the Company are required to have a practical understanding of the business of the Company as provided in the New Manual.

The members of the Board are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nomination Committee and sent to the shareholders through the notice of meeting. A majority vote of the shareholders is required for the election of a Director.

### **Definition of Independence & Independent Directors**

The Company adopts the definition of "independence" under the Securities Regulations Code. The Company considers as an Independent Director one who, except for his Director's fees and shareholdings, is independent of Management and free from any business or other relationships, which, could reasonably be perceived to, interfere with his exercise of independent judgment in carrying out his responsibilities as an Independent Director.

The Company follows the Term Limits for Independent Directors as provided under SEC Memorandum Circular No. 19, Series of 2016.

## Board Attendance, Appraisal and Training

The Company's Board has a pre-determined schedule of meetings at the beginning of each calendar year. As necessary, attendance at the Board meetings may be through electronic medium or telecommunications.

	Name	Date of Election	No. of Meetings Held during this year	No. of Meetings Attended During Incumbency as Director	%	Directorship in Other Publicly Listed Companies
Chairman	Gerard H. Brimo	04 June 2021	7	7	100%	Security Bank Corporation
Vice Chairman	Philip T. Ang	04 June 2021	7	7	100%	
Independent Director	Frederick Y. Dy*	17 July 2020	2*	2*	100%*	Security Bank Corporation
Independent Director	Angelo Raymundo Q. Valencia	04 June 2021	7	7	100%	None
Member	Martin Antonio G. Zamora	04 June 2021	7	7	100%	None
Member	Luis J. L. Virata	04 June 2021	7	7	100%	Benguet Corporation
Member	Maria Patricia Z. Riingen	04 June 2021	7	7	100%	None
Member	Masahiro Kamiya	04 June 2021	7	7	100%	None
Member	Hiroshi Yoshida**	04 June 2021	5**	5**	100%**	None
Lead Independent Director	Jaime J. Bautista***	04 June 2021	5***	5***	100%***	
Member	Yusuke Niwa****	05 August 2021	3****	3****	100%****	None

\*Mr. Dy served as Independent Director until the expiration of his term on 04 June 2021.

\*\*Mr. Yoshida was a member of the Board of Directors until his resignation on 05 August 2021.

\*\*\*Mr. Bautista was elected as an Independent Director on 04 June 2021.

\*\*\*\*Mr. Niwa was appointed as a member of the Board of Directors on 05 August 2021, to serve the unexpired term of Mr. Yoshida.

On a yearly basis, the Company's Board undertakes a performance self-assessment as a body, and as individual committees, and assesses if it possesses the right mix of experience and backgrounds. It also conducts a performance assessment of the CEO to evaluate performance and overall compliance with laws, regulations and best practices.

The Charter of the Board of Directors and the New Manual include a policy on the training of Directors, including an orientation program for first-time Directors and relevant annual continuing training for all Directors.

## **Shareholders' Rights**

The Company recognizes that all shareholders of the Company have the right to participate in all scheduled shareholders' meetings of the Company and to exercise their right to vote.

## **Shareholders' Meeting**

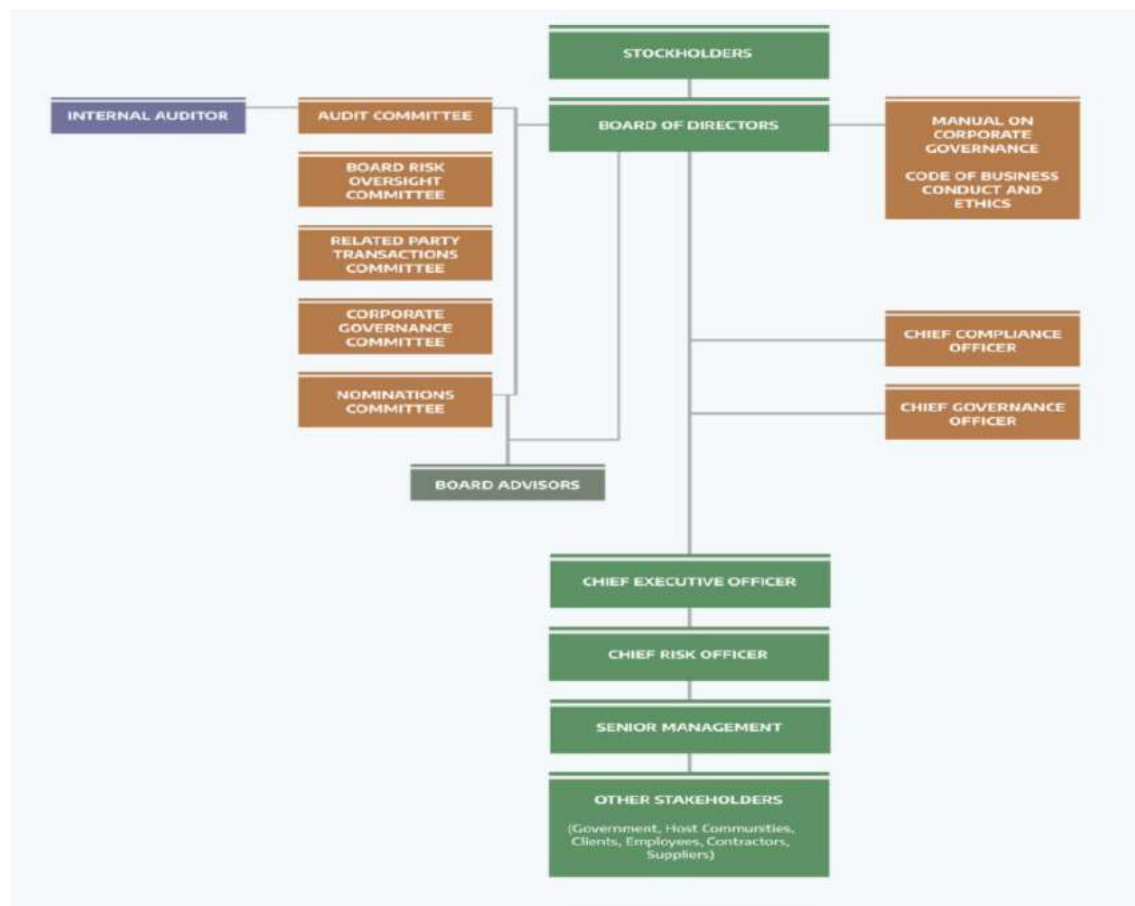
During the annual meeting, all shareholders are given the opportunity to exercise their right to elect Directors, to replace and remove Directors, to approve certain corporate acts in accordance with the Corporation Code. The annual meeting also serves as a venue for all shareholders to be updated on the condition of the Company, its plans and programs, and to raise questions or concerns.

## **Notice and Procedures**

The Company sends timely notice of meetings to shareholders. A notice stating the date, time and place of the annual meeting is announced at least twenty eight (28) days prior to the scheduled annual meeting. Materials for the meeting, including the agenda, the rationale and explanation for each of the items on the agenda, the Information Statement, profiles of candidates seeking election to the Board and proxy forms and documents required to enable a shareholder to appoint a proxy to vote on his behalf shall be disseminated to all shareholders within the periods prescribed by the SEC.

In 2021, in view of the Covid-19 pandemic, the Securities and Exchange Commission issued on 17 March 2021 a Notice entitled "Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in Connection with the Holding of Annual Stockholders' Meeting for 2021" that allowed publicly-companies to publish the Notice of Annual Stockholders' Meeting, Information Statement, Management Report, Audited Financial Statement, Annual Report on SEC Form 17-A and Quarterly Report on SEC Form 17-Q on their company websites and through PSE EDGE at least 21 days before the date of the annual stockholders' meeting. The Company published its Notice of Annual Stockholders' Meeting Information Statement, Management Report, Audited Financial Statement, Annual Report on SEC Form 17-A and Quarterly Report on SEC Form 17-Q on 11 May 2021, 24 days before its Annual Stockholders' Meeting on 04 June 2021.

## CORPORATE GOVERNANCE STRUCTURE



### BOARD COMMITTEES

#### Audit Committee

The Audit Committee is composed of Mr. Jaime J. Bautista (Lead Independent Director) as Chairman, and Messrs. Angelo Raymundo Q. Valencia (Independent Director) and Masahiro Kamiya as members. The Audit Committee reports to the Board and is required to meet at least once every three months.

Aside from overseeing the internal and external auditors of the Company, the Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Management and shareholders of the continuous improvement of the risk management system, business operations, and the proper safeguarding and use of Company resources and assets. The Audit Committee provides a general evaluation and assistance in the overall improvement of the risk management, control and governance processes.

Mr. Patrick S. Garcia is the Company's Chief Audit Executive and Assistant Vice President for Internal Audit from May 1, 2020 to the present.

The table below shows the attendance of the members of the Audit Committee at Committee meetings held in 2021:

	Name	Number of Meetings Held during this year	No. of Meetings Attended	Percentage of Attendance
Chairman _	Frederick Y. Dy*	2*	2*	100%*
Chairman (from June 4, 2021 to the present)	Jaime J. Bautista**	2**	2**	100%**
Member	Angelo Raymundo Q. Valencia**	4	4	100%**
Member	Masahiro Kamiya	4	4	100%

\*Mr. Dy served as Chairman of the Audit Committee until 04 June 2021.

\*\*Mr. Bautista was appointed as Chairman of the Audit Committee at the Organizational Meeting of the Board of Directors on 04 June 2021.

### Board Risk Oversight Committee

The Board Risk Oversight Committee is composed of Mr. Angelo Raymundo Q. Valencia (Independent Director) as Chairman, and Messrs. Martin Antonio G. Zamora and Jaime J. Bautista (Independent Director) as members. Mr. Bautista replaced Mr. Frederick Y. Dy as Committee member on 04 June 2021.

The Committee assists the Board in its oversight responsibility for the Company's Enterprise Risk Management, and shall review the effectiveness of the risk management system. The Committee reports to the Board and is required to meet at least once every three months.

The table below shows the attendance of the members of the Board Risk Oversight Committee during its meetings held in 2021:

	Name	Number of Meetings Held during this year	No. of Meetings Attended	Percentage of Attendance
Chairman	Angelo Raymundo Q. Valencia	4	4	100%
Member	Frederick Y. Dy	2*	2*	100%*
Member	Jaime J. Bautista	2**	2**	100%**
Member	Martin Antonio G. Zamora	4	4	100%

\*Mr. Dy was a member of the Board Risk Oversight Committee until 04 June 2021..

\*\*Mr. Bautista was appointed as a member of the Board Risk Oversight Committee on 04 June 2021.

### Corporate Governance Committee

The Corporate Governance Committee is composed of Mr. Gerard H. Brimo as Chairman, and Messrs. Philip T. Ang and Jaime J. Bautista (Independent Director) as members. Mr. Bautista replaced Mr. Frederick Y. Dy as member of the Committee on 04 June 2021.

The table below shows the attendance of the members at the Committee meetings held in 2021:

	Name	Number of Meetings Held during this year	No. of Meetings Attended	Percentage of Attendance
Chairman	Gerard H. Brimo	3	3	100%
Member	Philip T. Ang	3	3	100%
Member	Frederick Y. Dy	1*	1*	100%*
Member	Jaime J. Bautista	2**	2**	100%**

\*Mr. Dy was a member of the Corporate Governance Committee until 04 June 2021.

\*\*Mr. Bautista was appointed as a member of the Committee on 04 June 2021.

The Committee is responsible for ensuring compliance with and proper observance of corporate governance principles and practices. It also oversees the implementation and periodic review of the Company's corporate governance framework to ensure that it remains responsive to the Company's size, complexity and business strategy. Further, the Committee conducts an annual evaluation of the Board, its Committees and the Management of the Company; and developing and implementing action plans and programs to improve the performance of the Board, Committees, Directors and the Management of the Company. The Committee also performs the functions previously assigned to the Compensation and Remuneration Committee.

The Committee is tasked to establish and maintain a formal and transparent procedure for developing policy on remuneration of the Directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Committee is also responsible for administering the Company's stock option policies and plans and for approving bonuses to all employees of the Company and its subsidiaries.

### **Related Party Transactions Committee**

The Related Party Transactions Committee was composed of Mr. Masahiro Kamiya as Chairman and Messrs. Jaime J. Bautista (Independent Director) and Angelo Raymundo Q. Valencia (Independent Director) as members. Mr. Bautista replaced the Mr. Frederick Y. Dy as a member of the Committee on 04 June 2021.

The Committee is tasked with reviewing all material and related party transactions of the Company to ensure that such transactions are conducted on terms which are no more favorable than the terms of similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Company are misappropriated or misapplied. The Committee is also responsible for identifying potential or actual conflicts of interest and reputational risk issues that may arise from such related party transactions. The Committee further ensures that transactions between and among related parties are properly identified, monitored and reflected in reports to the Board and relevant regulatory authorities. The Committee is required to meet at least once a year.

The table below shows the attendance of the members at the Committee meetings held in 2021:

Board	Name	Number of Meetings Held during this year	No. of Meetings Attended	Percentage of Attendance
Chairman	Masahiro Kamiya	4	4	100%
Member	Frederick Y. Dy	2*	2*	100%*
Member	Angelo Raymundo Q. Valencia	4	4	100*
Member	Jaime J. Bautista	2**	2**	100%**

\*Mr. Dy was a member of the Related Party Transactions Committee until 04 June 2021.

\*\*Mr. Bautista was appointed as member of the Related Party Transactions Committee on 04 June 2021.

### **Nominations Committee**

The Nominations Committee is composed of Mr. Martin Antonio G. Zamora as Chairman, and Messrs. Masahiro Kamiya and Angelo Raymundo Q. Valencia (Independent Director) as members.

The Nomination Committee held two meetings in 2021, wherein all members were present.

The Nomination Committee is responsible for setting qualification standards to facilitate the selection of potential nominees to Board seats and of all nominees to other positions in the Company requiring appointments by the Board, to provide shareholders with an independent and objective evaluation of, and assurance that, the members of its Board and the officers appointed by the Board are competent and will foster the Company's long-term success and secure its competitiveness.

## **EXECUTIVE IMPLEMENTATION**

### **Chairman**

Mr. Gerard H. Brimo is the Chairman of the Board of Directors of the Company. The Chairman is responsible for leadership of the Board. He ensures the effective operation of the Board and its committees in conformity with the highest standards of corporate governance. He is accountable to the Board. The Chairman ensures that the Board sets an agenda that is focused on strategy, performance, and accountability taking into consideration the recommendations of the Directors and management. He assures the availability of training opportunities to all Directors, including an orientation program for first-time Directors. He ensures that the Board performance is evaluated at least once a year. Mr. Brimo still has executive functions, and works with the President and Chief Executive Officer (CEO) to develop the strategy for the Company's future growth, including to identify opportunities for value-enhancing initiatives such as acquisitions and joint ventures, as may be deemed beneficial for the long-term interest of the Company. He will also oversee the Company's copper-gold initiatives. Mr. Brimo continues to represent the Company in the Chamber of Mines, of which he is the incumbent Vice Chairman.

## **President and CEO**

Mr. Martin Antonio G. Zamora is the President and CEO of the Company. The President provides the leadership for Management to develop and implement sound business strategies, plans, budgets and a system of internal controls. He ensures that the overall business and affairs of the Company are managed in a sound and prudent manner in accordance with the Company's strategic plan. He also warrants that business risks are identified and properly addressed. He also ensures that operational, financial and internal controls are adequate and effective in order to generate sound and reliable financial and operational information, to maximize the effectiveness and efficiency of operations, to safeguard Company assets and resources, and to comply with all laws, rules, regulations and contracts.

As CEO, he acts a direct liaison between the Board and the Management of the Company.

The President and CEO, together with the Management, has the responsibility to provide the Board with a balanced, understandable and accurate account of the Company's performance, financial condition, results of operations and prospects on a regular basis. The President also serves as the link between internal operations and external stakeholders.

## **Chief Risk Officer**

Gen. (Ret.) Romeo T. Tanalgo, Vice President-Security and Administrative Services and Officer-in-Charge of the Risk and Assurance Group, assumed the post of Chief Risk Officer effective 01 April 2021. He replaced Mr. Jose B. Anievas who retired on May 31, 2021. The Chief Risk Officer supervises the Company's Enterprise Risk Management System and spearheads its implementation, review and continuous improvement. He takes the lead in identifying key risks exposure relating to economic, environmental, social and governance factors that may affect the achievement of the Company's strategic objectives and developing risk mitigation plans for such risks. He communicates the top risks and the status of implementation of the Company's risk management strategies and action plans to the Board Risk Oversight Committee, and works with the President and CEO in updating and making recommendations to the Board Risk Oversight Committee.

## **Chief Governance Officer**

Ms. Georgina Carolina Y. Martinez, Senior Vice President, Head of the Compliance and Corporate Support Services Group, is the Company's Chief Governance Officer. The Chief Governance Officer is tasked with ensuring that corporate governance policies are disseminated, adopted throughout the organization and become an integral part of the Company's culture. In addition, she also ensures that the necessary systems are in place to monitor compliance.

## **Chief Compliance Officer**

Ms. Georgina Carolina Y. Martinez also serves as Chief Compliance Officer of the Company. She ensures the Company's strict adherence to all laws, regulations, guidelines and specifications relevant to the business.

## **Corporate Secretary**

Atty. Barbara Anne C. Migallos is the Corporate Secretary of the Company. She ensures that all Board procedures, rules and regulations are strictly followed. The Corporate Secretary is a lawyer with years of experience in corporate law practice, including corporate secretarial work. She is also a professional lecturer in advanced securities regulation.



## **AUDITORS**

### **Chief Audit Executive**

Mr. Patrick S. Garcia is the Company's Chief Audit Executive. The Chief Audit Executive is primarily tasked with evaluating the adequacy and effectiveness of the Company's governance and operations, the reliability and integrity of financial information, the safeguarding of assets, and compliance with laws, rules and regulations.

### **External Auditor**

The external auditor is appointed by the shareholders upon the recommendation of the Audit Committee, which reviews its qualifications, performance and independence. To ensure objectivity in the performance of its duties, the external auditor is subject to the rules on rotation and change (every five years for the engagement partner); general prohibitions on hiring of staff of the external auditor; and full and appropriate disclosure and prior approval by the Audit Committee of all audit and non-audit services and related fees. Approval of non-audit work by the external auditor is principally tested against the standard of whether such work will conflict with its role as an external auditor or would compromise its objectivity or independence as such.

## **INVESTOR RELATIONS PROGRAM**

The Company is committed to making timely, full and accurate disclosures and distributing other corporate communication materials in accordance with the disclosure rules of the Philippine Stock Exchange.

External and internal communications are handled by the Public and Social Affairs, Compliance and Corporate Support Services, and Investor Relations units. Major company announcements are reviewed and approved by the VP-Public and Social Affairs, SVP-Compliance and Corporate Support Services, the Chief Financial Officer, and the President and CEO.

The policy is subject to regular review by senior management and the Board of Directors to ensure its effectiveness. Updates and amendments (as appropriate) will be made to reflect current best practices in our communication with the investment community.

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

C	S	2	0	0	8	1	1	5	3	0
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**COMPANY NAME**

N	I	C	K	E	L		A	S	I	A		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U
B	S	I	D	I	A	R	I	E	S																				

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

2	8	t	h		F	l	o	o	r		N	A	C		T	o	w	e	r	,		3	2	n	d		S	t	r
e	e	t	,		B	o	n	i	f	a	c	i	o		G	l	o	b	a	l		C	i	t	y	,		T	a
g	u	i	g		C	i	t	y																					

Form Type  
A A C F S

Department requiring the report  
C R M

Secondary License Type, If Applicable  
N / A

**COMPANY INFORMATION**

Company's Email Address <b>corpsec@nickelasia.com</b>	Company's Telephone Number <b>(632) 7798-7622</b>	Mobile Number <b>09178459361</b>
No. of Stockholders <b>86</b>	Annual Meeting (Month / Day) <b>First Friday of June</b>	Fiscal Year (Month / Day) <b>12/31</b>

**CONTACT PERSON INFORMATION**

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

Name of Contact Person <b>Iryan Jean U. Padillo</b>	Email Address <b>iryanjean.padillo@nickelasia.com</b>	Telephone Number/s <b>(632) 7798-7622</b>	Mobile Number <b>—</b>
--	--	--	---------------------------

**CONTACT PERSON'S ADDRESS**

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



S.E.C. Number **CS200811530**

File Number \_\_\_\_\_

**NICKEL ASIA CORPORATION**

(Company's Full Name)

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

(Company's Address)

**+63 2 8892 6669 / +63 2 7798 7622**

(Telephone Numbers)

**December 31**

(Fiscal Year Ending)

(month & day)

**SEC FORM 17-A Annual Report**

Form Type

\_\_\_\_\_  
Amendment Delegation (If applicable)

**December 31, 2021**

Period Ended Date

\_\_\_\_\_  
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: DECEMBER 31, 2021
2. SEC Identification Number: CS200811530
3. BIR Tax Identification No.: 007-085-191-000
4. Exact name of issuer as specified in its charter NICKEL ASIA CORPORATION
5. Province, Country or other jurisdiction of incorporation or organization: PHILIPPINES
6. Industry Classification Code:  (SEC Use Only)
  
7. Address of principal office Postal Code  
28TH FLOOR NAC TOWER, 32ND STREET, 1634  
BONIFACIO GLOBAL CITY, TAGUIG CITY
8. Issuer's telephone number, including area code: +63 2 8892 6669 / +63 2 7798 7622
9. Former name, former address, and former fiscal year, if changed since last report.  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>COMMON STOCK</b>	<b>13,630,850,117 SHARES</b>
<b>SHORT-TERM AND LONG-TERM DEBTS</b>	<b>₱2,449.3 MILLION</b>

11. Are any or all of these securities listed on a Stock Exchange.  
Yes [  ] No [  ]

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

PHILIPPINE STOCK EXCHANGE COMMON STOCK

12. Check whether the issuer:  
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);  
Yes [  ] No [  ]  
  
(b) has been subject to such filing requirements for the past ninety (90) days.  
Yes [  ] No [  ]

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

As at December 31, 2021, 4,600,341,202 shares with a market price of ₱5.35 or an aggregate amount of ₱24,611,825,431 were held by non-affiliates.

April 12, 2022

**Ms. Janet A. Encarnacion**

Head - Disclosure Department  
Philippine Stock Exchange Tower,  
5th Avenue corner 28th Street, BGC Taguig City

**Mr. Vicente Graciano P. Felizmenio, Jr.**

Director - Markets and Securities Regulation Department  
Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

RE : 2021 SEC Form 17-A Annual Report

x ===== x

Gentlemen:

In accordance with the Securities Regulation Code, we are submitting herewith a copy of our Company's SEC Form 17-A Annual Report as at and for the year ended December 31, 2021.

We trust everything is in order.

Very truly yours,



**Maria Angela G. Villamor**  
SVP - Chief Financial Officer



**NICKEL ASIA CORPORATION  
17-A ANNUAL REPORT 2021**

**PART I – BUSINESS AND GENERAL INFORMATION**

Item 1. Business .....	1
A. Overview	
B. Corporate Objective	
C. Product Mix	
D. Subsidiaries	
E. Recent Developments	
F. Our Strategy	
G. Key Strength	
H. Percentages of Revenues for 3 Years	
I. Sources of Raw Materials and Supplies	
J. Government Regulations and Approvals	
K. Competition	
L. Nickel Ore Trade and Outlook	
M. Exploration and Development	
N. Environment and Rehabilitation	
O. Social Responsibility	
P. Employees	
Q. Risks Related to Our Business and Industry	
 Item 2. Properties .....	 25
A. Mining Properties and Permits	
B. Mineral Resources and Reserves	
C. Processing Facilities	
D. Real Properties	
E. Service Contracts	
F. Liens and Encumbrances	
 Item 3. Legal Proceedings .....	 33
 Item 4. Submission of Matters to a Vote of Security Holders .....	 35

**PART II – OPERATIONAL AND FINANCIAL INFORMATION**

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters .....	36
A. Market Information	
B. Holders	
C. Dividends	
D. Recent Sales of Unregistered or Exempt Securities	
 Item 6. Management’s Discussion and Analysis of Financial Position and Results of Operations .....	 38
 Item 7. Financial Statements .....	 50
 Item 8. Information on Independent Accountants and other Related Matters .....	 50

**PART III – CONTROL AND COMPENSATION INFORMATION**

Item 9. Directors and Executive Officers of the Issuer.....	51
A. List of Directors and Executive Officers and Committees of the Issuer	
B. Significant Employees/Executive Officers	
C. Family Relationship	
D. Involvement in Certain Legal Proceedings	

<b>TABLE OF CONTENTS</b>	<b>Page No.</b>
Item 10. Executive Compensation and Stock Option Plan .....	61
Item 11. Security Ownership of Certain Beneficial Owners and Management .....	62
A. Security Ownership of Certain Record and Beneficial Owners	
B. Security Ownership of Management	
C. Voting Trust Holders of 5% or More	
D. Changes in Control	
Item 12. Certain Relationship and Related Transactions .....	64
<b>PART IV – EXHIBITS AND SCHEDULES</b>	
Item 13. Exhibits and Reports on SEC Form 17-C .....	68
1. Exhibits	
2. Reports on SEC Form 17-C	
<b>SIGNATURES</b>	
<b>INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES</b>	



## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. BUSINESS

#### A. OVERVIEW

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

The Group has four (4) operating mines operated by its subsidiaries: the Rio Tuba mine in Bataraza, Palawan operated by Rio Tuba Nickel Mining Corporation (RTN); the Taganito mine in Claver, Surigao Del Norte operated by Taganito Mining Corporation (TMC); the Tagana-an mine in Tagana-an, Surigao Del Norte operated by Hinatuan Mining Corporation (HMC); and the Cagdianao mine in Cagdianao, Dinagat Islands operated by Cagdianao Mining Corporation (CMC).

NAC exports saprolite and limonite ore to customers in Japan and China. NAC’s customers use its ore for the production of ferronickel and nickel pig iron (NPI), both used to produce stainless steel, and for the production of pig iron used for carbon steel. NAC is also the exclusive supplier of limonite ore to the Coral Bay plant, the country’s first hydrometallurgical nickel processing plant owned by Coral Bay Nickel Corporation (CBNC), where NAC has a 10% equity interest. CBNC became operational in 2005 and currently operates at a capacity of 24,000 tonnes of contained nickel and 2,000 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. It has proven to be the world’s most efficient facility using the high-pressure acid leach (HPAL) process.

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

Apart from NAC’s four operating mines, NAC has other properties in various stages of exploration for nickel, while continuing to seek opportunities in copper and gold. In November 2010, NAC concluded the purchase of Cordillera Exploration Co., Inc. (CExCI) from Anglo American Exploration (Philippines), Inc. (Anglo American), with four properties in the Central Cordillera of northern Luzon that are prospective for gold and copper. The purchase marks the Company’s first step in its vision to become a diversified mineral resource company. In November 2011, Sumitomo Metal Mining Co., Ltd. (SMM) acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

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

In August 2015, NAC also concluded the purchase of 100% equity interest in Dinapigue Mining Corporation (DMC), which is the claim owner of the Isabela Nickel Project in Dinapigue, Isabela. Currently, DMC is transitioning from construction and development stage to production stage.

NAC also moved into the area of renewable energy and power generation. In 2018, it completed the construction of a 10 megawatt (MW) diesel power plant at a cost close to ₱1,000.0 million. Power is currently being sold to the Surigao del Norte Electric Cooperative, Inc. (SURNECO) under a Power Supply Agreement (PSA). The diesel power plant, which commenced operations in 2018, is designed to alleviate the shortage of power particularly in Surigao City.

NAC's entry into the renewable power business was formalized in 2015 with the conversion of a ₱446.0 million loan to equity and an additional equity infusion of ₱474.0 million, which corresponds to an equity ownership in Emerging Power, Inc. (EPI) of 66%. In 2016, NAC subscribed to additional common shares of EPI for ₱660.0 million and this increased NAC's equity interest in EPI to 70.92%. In 2020, NAC's equity interest in EPI stood at 86.29% as a result of fresh equity infusion of ₱1.5 billion in September 2017.

EPI's mission is to engage in power generation exclusively from renewable sources. As of December 31, 2021, EPI has a number of Renewable Energy Service Contracts signed with the Department of Energy (DOE), i.e., two (2) 100MW solar service contracts under Jobin-SQM Inc. (JSI), located in the Subic Bay Freeport Zone; two (2) geothermal service contracts under Biliran Geothermal Incorporated (BGI), in the province of Biliran, Leyte; and a geothermal service contract under Mindoro Geothermal Power Corporation (MGPC) in Naujan, Oriental Mindoro.

JSI completed testing and commissioning of 32MW of solar power, comprising Phases 1 and 2 of the Sta. Rita Solar Power Project (Solar Project) in 2017. In 2018, the Energy Regulatory Commission (ERC) extended the effectivity of JSI's Provisional Authority to Operate (PAO) the 32MW solar plant until May 14, 2019. In January 2019, JSI received the Certificate of Compliance (COC) from the ERC for Phases 1 and 2 - 32MW of the Solar Project, valid for a period of five years from November 2016 to November 2021 until revoked or suspended. The COC was issued subsequent to the authorization granted by the ERC to JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW Solar Project to the Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation in December 2018. In November 2021, pursuant to JSI's COC renewal application, the ERC extended the PAO for Phases 1 and 2 for a period of one year or up to November 2022.

Moreover, in June 2021, the ERC granted a PAO for JSI's Phase 3A - 30MW for one year or up to June 2022. As at December 31, 2021, Phases 1, 2 and 3A of the solar farm project with total capacity of 62MW are in commercial operations. The remaining Phase 3B - 38MW is currently under construction and expected to be completed by second quarter of 2022.

In 2020, JSI applied for a second 100MW solar service contract also located at the Subic Bay Freeport Zone. The new service contract of JSI was awarded on February 3, 2021. The project is still in the pre-development stage.

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

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

Biliran 1 continued its facility maintenance while making plans for a phased power generation development.

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

In 2020, MGPC decided to conduct an assessment of the best technique to flow the two (2) geothermal wells. As part of the well testing program submitted by MGPC to DOE, downhole measurements will be conducted to confirm the temperature and the suitability of the wells for flow testing. Thereafter, MGPC will implement the flow test to update the resource assessment and plan the development drilling. In 2021, MGPC entered into a Memorandum of Agreement with SRE on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago Geothermal Field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system. As at December 31, 2021, the electrical submersible pump to be used for the flow test is being manufactured based on the updated temperature data from the geothermal wells.

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

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

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

## **B. CORPORATE OBJECTIVE**

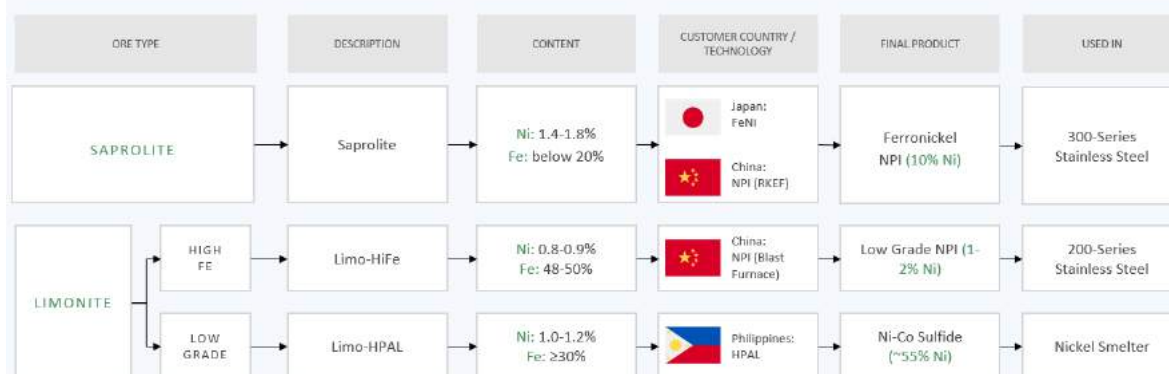
NAC strives to contribute to sustainable national development by adopting its Environmental, Social, and Governance (ESG) Roadmap in order to achieve the highest standards in the responsible utilization of the country's natural resources. At the same time, the Company takes its responsibilities toward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

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

## C. PRODUCT MIX

NAC produces two (2) types of nickel ore, namely saprolite and limonite. Saprolite ore is nickel ore with iron content of less than 20% and limonite ore is nickel ore with iron content of 20% or higher.

### OVERVIEW OF OUR NICKEL ORE PRODUCTS



The Group ships out two (2) types of saprolite ore: high-grade and midgrade. High-grade saprolite has a nickel content of about 1.7% and above while mid-grade saprolite ore has a nickel content of between 1.3% to 1.6%.

Most of the Group's high-grade saprolite ore are sold to Pacific Metals Co., Ltd. (PAMCO), which uses the material as feed for its ferronickel smelters. The Company's mid-grade saprolite ore are sold to Japanese and Chinese clients. Its Chinese clients use the material as feed for electric furnaces for the production of high and medium-grade NPI.

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

The Company's high-iron limonite ore are sold to Chinese customers who use the material as feed for blast furnaces for the production of low-grade NPI. Finally, low-grade limonite ore are utilized as feed for the Taganito and Coral Bay HPAL plants.

## D. SUBSIDIARIES

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

	Effective Ownership	
	2021	2020
<i>Subsidiaries</i>		
Hinatuan Mining Corporation	100.00%	100.00%
Cagdianao Mining Corporation	100.00%	100.00%
Dinapigue Mining Corporation	100.00%	100.00%
Samar Nickel Mining Resources Corporation (SNMRC)	100.00%	100.00%
CDTN Services Company Inc. (CDTN) <sup>(a)</sup>	100.00%	100.00%
Coral Pearl Developments Limited (CPDL)	100.00%	100.00%
La Costa Shipping and Lighterage Corporation (LCSLC) <sup>(b)</sup>	100.00%	100.00%
Falck Exp Inc. (FEI) <sup>(c)</sup>	88.00%	88.00%

	Effective Ownership	
	2021	2020
Emerging Power, Inc.	<b>86.29%</b>	86.29%
Mindoro Geothermal Power Corporation <sup>(d)</sup>	<b>86.29%</b>	86.29%
Biliran Holdings Inc. (BHI) <sup>(d)</sup>	<b>86.29%</b>	86.29%
Northern Palawan Power Generation Corporation (NPPGC) <sup>(d)</sup>	<b>86.29%</b>	86.29%
Jobin-SQM Inc. <sup>(d, e)</sup>	<b>82.87%</b>	77.66%
Cordillera Exploration Co., Inc.	<b>71.25%</b>	71.25%
Newminco Pacific Mining Corporation <sup>(f)</sup>	<b>71.25%</b>	71.25%
Taganito Mining Corporation	<b>65.00%</b>	65.00%
Rio Tuba Nickel Mining Corporation	<b>60.00%</b>	60.00%
Biliran Geothermal Incorporated <sup>(d)</sup>	<b>51.77%</b>	51.77%

*(a) Incorporated on December 21, 2020*

*(b) Indirect ownership through HMC*

*(c) Indirect ownership through HMC, CMC and TMC*

*(d) Indirect ownership through EPI*

*(e) Direct ownership of 38% and indirect ownership through EPI of 44.87%*

*(f) Indirect ownership through CExCI*

#### Hinatuan Mining Corporation

HMC was incorporated on October 9, 1979 and was granted rights over the Taganaan property in 1980. Development of the property commenced in 1981 and the first commercial shipment from the Taganaan mine was made in 1982. The size of the property was expanded in 1983 with the acquisition of additional claims on adjacent properties. HMC is also the claim owner of the Manicani property in Manicani Island, Eastern Samar.

#### Cagdianao Mining Corporation

CMC was incorporated on July 25, 1997 and acquired the right to operate the Cagdianao mine in 1998.

#### Dinapigue Mining Corporation

DMC was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits in Dinapigue, Isabela. DMC was acquired by the Parent Company in August 2015. Currently, DMC is transitioning from construction and development stage to production stage.

#### Samar Nickel Mining Resources Corporation

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

#### CDTN Services Company Inc.

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

#### Coral Pearl Developments Limited

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

#### La Costa Shipping and Lighterage Corporation

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

#### Falck Exp Inc.

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

#### Emerging Power Inc.

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

#### Mindoro Geothermal Power Corporation

MGPC was incorporated on May 7, 2014, and is primarily engaged in the renewable energy business. MGPC project is estimated to supply 40MW of power over twenty five (25) years.

#### Biliran Holdings Inc.

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

#### Northern Palawan Power Generation Corporation

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

#### Jobin-SQM Inc.

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

#### Cordillera Exploration Co., Inc.

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

#### Newminco Pacific Mining Corporation

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

#### Taganito Mining Corporation

TMC was incorporated on March 4, 1987, and is primarily engaged in the mining and exporting of nickel saprolite and limonite ore, and exploration activities. The first commercial shipment from the Taganito mine was made in 1989. TMC also provides services to THNC which involves the handling, hauling and transportation of materials required in the processing operations of THNC.

#### Rio Tuba Nickel Mining Corporation

RTN was incorporated on July 15, 1969 to develop the nickel ore deposits discovered at the Rio Tuba mine site in 1967. It was granted rights over the Rio Tuba property in 1970 and commenced mining in 1975. RTN made its first commercial shipment in 1977. RTN also provides services to CBNC which involves the handling, hauling and transportation of materials required in the processing operations of CBNC up to May 2021.

### Biliran Geothermal Incorporated

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

## **E. RECENT DEVELOPMENTS**

In March 2022, the Department of Environment and Natural Resources (DENR) extended the Mineral Production Sharing Agreement (MPSA) between the Government and CMC for another twenty-five (25) years.

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

In June 2021, JSI's Phase 3A - 30MW Solar Project commenced operation, leading JSI to operate at a total capacity of 62MW. The remaining Phase 3B - 38MW is currently under construction and expected to be completed by second quarter of 2022.

In May 2021, CDTN formally started its commercial operation and provides services involving handling, hauling and transportation of materials required in the processing operations of its customers, including CBNC.

On March 29, 2021, EPI partially paid its outstanding loan from the Parent Company by way of dation in payment of EPI's right and interest equivalent to 38% of JSI's shares of stock.

In 2021, DMC successfully conducted 2 test shipments and delivered ore to CBNC. Currently, DMC is transitioning from construction and development stage to production stage.

## **F. OUR STRATEGY**

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

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

## G. KEY STRENGTH

The Company believes in its key strength, which is:

### ***Profitability underpinned by low cost production***

The foundation of the Company's business is its ability to operate profitably through the commodity price cycle because of its low costs. The Company ranks favorably in terms of mining costs when compared to other nickel mining companies. There are a number of factors that account for its low cost position:

- The Company benefits from favorable geologic conditions at all of its four (4) operating mines. Its lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally five (5) to thirty (30) meters thick, enabling it to conduct simple contour mining using trucks and loaders without blasting, the use of chemicals or complex waste handling.
- Historically, there was generally no market for the Company's limonite ore, which needs to first be extracted in order to mine the more valuable saprolite ore. There was also no market for lower grades of saprolite ore. Limonite ore was then regarded as overburden and placed in stockpiles, while the Company undertook selective mining of high-grade saprolite ore, leading to relatively high mining costs. Since 2005, the Company has found customers for its limonite ore with the development of the China NPI market and the commissioning of the Coral Bay HPAL facility. In 2008, the Company experienced increasing demand from its customers for low-grade saprolite ore and in 2010, it saw an emerging demand for the use of low-nickel, high iron limonite ore for blending with iron ore in the production of carbon steel. The Company's ability to sell limonite ore rather than place it in stockpiles as waste, and its ability to sell lower grades of saprolite ore allows it to mine in a more efficient manner and reduces the unit cost per wet metric tonnes (WMT) of nickel ore that it mine, thus improving its profitability. The commencement of commercial operations of the Taganito HPAL facility in 2013 adds an additional outlet for the Company's limonite ore.
- On average, the nickel deposits at the Company's four (4) operating mines are located within three (3) to seven (7) kilometers from the applicable tidewater loading area, enabling easy hauling and transportation by barges and LCTs to customers' ships. The Company owns seven (7) LCTs and eleven (11) barges and leases additional barges and LCTs as needed. The short hauling distance from its mining operations to its loading facilities substantially contributes to the Company's favorable cost position.
- Because its lateritic nickel deposits are near surface and relatively shallow, the rehabilitation of its mining areas is a straightforward process. The process generally involves re-contouring of the mined areas, replacing the overburden and planting foliage. The Company undertakes progressive rehabilitation of its mined areas in order to spread costs, and the nature of its deposits results in a relatively manageable level of rehabilitation costs.

## H. PERCENTAGES OF REVENUES FOR 3 YEARS

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

Year	Japan			China			Philippines (CBNC and THNC)			Total		
	A	B	Total	A	B	Total	A	B	Total	A	B	Total
2021	8%	-	8%	69%	6%	75%	-	17%	17%	77%	23%	100%
2020	4%	-	4%	75%	4%	79%	-	17%	17%	79%	21%	100%
2019	11%	-	11%	59%	8%	67%	-	22%	22%	70%	30%	100%

A - Saprolite  
B - Limonite



## **I. SOURCES OF RAW MATERIALS AND SUPPLIES**

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

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

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

## **J. GOVERNMENT REGULATIONS AND APPROVALS**

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

The more significant regulations affecting our operations include the following:

### Republic Act (RA) No. 7942 (Philippine Mining Act of 1995)

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

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

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

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

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

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

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

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

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

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

DAO 2004-52 - Tree cutting permit

DAO 2015-07 - mandating Mining Contractors to Secure ISO 14001 Certification

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

DAO 2016-1 - prescribing for an audit of metallic mining companies by the DENR

All of the Group's mining companies also abide by commitments stipulated in their Environmental Compliance Certificate (ECC) and specified in their approved Contractor's Plan of Mining Operation.

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

Electric Power Industry Reform Act (EPIRA)

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

- The EPIRA sought to bring about:
  - Competitive Generation
  - Regulated Transmission and Distribution
  - Competitive Retail Electricity Providers
- The EPIRA established the Wholesale Electricity Spot Market (WESM), unbundled the electricity tariff for greater transparency, and seeks to provide open access to transmission and distribution lines for all industry players.
- The EPIRA created the ERC as a purely independent regulatory body performing the combined quasi-judicial, quasi-legislative and administrative functions in the power industry. ERC is tasked to promote

competition, encourage market development, ensure customer choice and penalize abuse of market power in the power industry. In addition to its traditional rate and service regulation functions, ERC focuses on consumer education and protection, and promotion of the competitive operations in the power market.

#### Renewable Energy (RE) Law

The RE Act of 2008 encompasses policies that relate to renewable energy and legislative instruments that further encourage its growth - i.e. economic incentives.

- Section 13 states the government share in all renewable energy revenues: 1.5% for geothermal energy and 1% for the rest.
- Section 15 outlines the general incentives: Income Tax Holiday (7 years), Duty-free importation, Special Realty Tax Rates (1.5%), Corporate Tax Rate (10%), Accelerated Depreciation, 0% Value Added Tax (VAT) Rate, Additional Cash Incentive for Off-grid Generation Facilities, etc.

#### Pending Approval

TMC's application for MPSA denominated as APSA No. 73-XIII for its La Salle Exploration project is pending reconsideration.

CExCI has relinquished the Manmanok property denominated as EP No. 004-2006-CAR last June 2021.

CExCI has filed an application to convert APSA No. 000021-II that it acquired by assignment from Marian and Olympus in April 2019. The property was officially converted and denominated as Exploration Permits (EXPA)-000166-II in January 2020. The Certificate of Non-Overlap for its Parcel 1 has been received and awaiting the issuance of the area status clearance from DENR Region 2.

The Mankayan area denominated as EXPA-116-CAR, which was converted from the AFTA-008 property, lies within the Municipalities of Mankayan and Bakun. The Mankayan Ancestral Domain (AD) is currently undergoing the Free and Prior Informed Consent (FPIC) process while the Bakun AD is completing the Memorandum of Agreement (MOA) negotiation phase of the FPIC process.

The Cervantes property known as EXPA-116-I is also undergoing the FPIC process until it was put on hold until after the May 2022 elections. Community ground scoping work is being conducted in the three (3) new EXPA namely EXPA-119, EXPA-120 and EXPA-121. The Aluling EXPA, converted from AFTA-008, has been approved and CExCI is waiting for the issuance of the official order on the conversion.

## **K. COMPETITION**

NAC competes with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers (primarily from Indonesia) in world nickel ore markets. Domestic competitors include CTP Construction & Mining, and Platinum Group Metals Corporation (PGMC), while foreign competitors mainly include PT Aneka Tambang.

On the power business, the implementation of the EPIRA has paved the way for a more independent and market-driven Philippine power industry. This has allowed for competition, not limited by location, and driven by market forces. The sale of power and the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. However, as a registered renewable energy generating unit with intermittent renewable energy resources, JSI's solar power plant is considered "must dispatch" based on available energy and enjoys the benefit of priority dispatch to the grid and the WESM. The Company's power projects which are still either in the exploration or development stage will face competition in the development of new power generation facilities as well as in the financing for these activities.

## L. NICKEL ORE TRADE AND OUTLOOK

### Nickel Ore Trade

Nickel ore in the country is mainly exported to China and Japan. Primary nickel consumption in China was estimated at 1.46 million tonnes in 2021, which accounted for 52% of global nickel consumption, while 7% of the global nickel consumption can be attributed to Japan.

Nickel production in China in 2021 was estimated at 0.68 million tonnes, of which 0.43 million tonnes came from NPI. Based on the Company's research, nickel ore exported to China from Philippines is estimated at 48 million WMT in 2021 as compared to 41 million WMT in 2020.

Due to the implementation of Indonesia's ore export ban effective January 2020 and strong growth of the Chinese Stainless Steel sector in 2021, China's demand for nickel ore from the Philippines increased as well as the price.

### Outlook for Nickel

Global nickel supply in 2021 was estimated at 2.65 million tonnes, while consumption was at 2.82 million tonnes, resulting to 0.17 million tonnes of deficit. The deficit was mainly driven by strong consumption in the global Stainless Steel sector and strong consumption in global Electric Vehicle (EV) sector.

Around 69% of nickel supply is used for stainless steel production. Therefore, the growth in stainless steel production is a key factor in the outlook for nickel. Global stainless steel production in 2021 was estimated at 58.5 million tonnes, increased by 14% from the previous year, of which, Chinese stainless steel production accounted for 33.5 million tonnes, increased by 6.5% from the previous year.

Nickel demand for EV is expected to increase at 30% per annum (p.a.) until 2025, which fundamentally sustains stable London Metal Exchange (LME) nickel price at a high level.

## M. EXPLORATION AND DEVELOPMENT

### Nickel Resources

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

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

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

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

<b>Bulanjao:</b> <ul style="list-style-type: none"><li>• Total area of 3,604.5 hectares</li><li>• Conducted step-out drilling throughout the length of the Central Bulanjao deposit</li></ul>	Location: <b>Palawan Island</b>  Ownership: <b>RTN</b>
<b>Manicani:</b> <ul style="list-style-type: none"><li>• MPSA covers 1,165 hectares and expires in 2037</li></ul>	Location: <b>Island of Manicani</b>  Ownership: <b>HMC</b>

<p><b>Kepha Mining Exploration Limited Company (Kepha):</b></p> <ul style="list-style-type: none"> <li>• Rights to the property are governed by an Operating Agreement entered into in February 2007 with Kepha</li> <li>• Operating Agreement covers 6,980.75 hectares and expires in 2032</li> <li>• Follow-up exploration work and drilling was conducted in early 2013</li> <li>• On March 19, 2021, the MGB approved the renewal of Kepha’s two (2) year exploration period</li> </ul>	<p>Location: <b>Surigao del Norte</b></p> <p>Operating Rights: <b>TMC</b></p>
<p><b>La Salle Mining Exploration Company (La Salle):</b></p> <ul style="list-style-type: none"> <li>• Rights to the property are governed by an Operating Agreement entered into with La Salle in December 2006</li> <li>• Operating Agreement covers 6,824 hectares and expires in 2034. However, the MPSA area applied for has been reduced to 972 hectares.</li> <li>• Found a nickel lateritic deposit on the southwestern portion of the property and intend to conduct further exploration work on this deposit</li> <li>• In 2012, EO No. 79 imposed a moratorium on the approval of Mineral Agreements. This has affected the APSA of La Salle.</li> </ul>	<p>Location: <b>Surigao del Norte</b></p> <p>Operating Rights: <b>TMC</b></p>
<p><b>Dinapigue:</b></p> <ul style="list-style-type: none"> <li>• Covered by MPSA No. 258-2007-II</li> <li>• In 2022, DMC is transitioning from construction and development stage to production stage</li> </ul>	<p>Location: <b>Dinapigue, Isabela</b></p> <p>Ownership: <b>DMC</b></p>

*Description of Exploration and Development Projects*

**Bulanjao** - RTN recently acquired a separate ECC, an amended ECC and amended MPSA to include AMA-IVB-144A, otherwise known as the Bulanjao claim, for a total accumulated area of 4,538.44 hectares. RTN’s new MPSA is now denominated MPSA-114-98-IV-Amended I. Based on latest data, drilling has resulted in measured and indicated mineral resources of 27 million WMT of limonite ore and 27 million WMT of saprolite ore with average nickel grades of 1.21% and 1.66%, respectively. Development in the new area will commence in 2022.

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

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

A Letter of Authority to Dispose Nickel Stockpile was issued by MGB on July 1, 2014. From May to August of 2016, five (5) shipments were realized for the disposal of said stockpiles, after which, shipments were

suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

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

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

**Kepha** - The property has a total area of 6,980.75 hectares and is situated in the province of Surigao del Norte, immediately southwest of our Taganito mine's northern boundary. TMC's rights to the property are governed by an Operating Agreement that it entered into in February 2007 with Kepha. Kepha entered into a MPSA in June 2009, giving it the right to explore, develop and mine the property for an initial period of twenty-five (25) years.

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

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

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

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

On March 19, 2021, the MGB approved the renewal of Kepha's EP for another two (2) years, corresponding to the seventh and eighth years of its exploration period. It is also in this year, that negotiations to amend the Memorandum of Agreement (MOA) between the Mamanwa indigenous people group of CADT 048 and the management of Kepha have come to an agreement and the MOA was signed on November 29, 2021.

**La Salle** - The La Salle property, situated in the province of Surigao Del Norte, is held by TMC. The property previously had a total area of 6,824 hectares but the application was previously reduced to 2,234 hectares and further reduced to 972 hectares. It shares a common boundary with the Kepha property on the southwest side of the property. TMC's rights to the property are governed by an Operating Agreement entered into with La Salle in December 2006. La Salle's application for a MPSA is pending and TMC is responsible for completing the requirements for approval of the MPSA.

Under the terms of the Operating Agreement between La Salle and TMC, TMC will have the right to explore, develop and operate the property once the MPSA is approved, in return for the payment to La Salle of a royalty of 5% on gross revenues from all metallic minerals sold from the property.

TMC has identified a nickel lateritic deposit on the southeastern portion of the property near the boundary with the Kepha property and intends to conduct further exploration work on this deposit.

In April 2021, EO No. 130 was issued lifting the moratorium on the approval of Mineral Agreements. TMC is currently assisting La Salle in securing a FPIC with the Mamanwa Indigenous Peoples Group of CADT 048 which is a requirement in the submission of an APSA.

***Dinapigue*** - In 2015, the Parent Company acquired DMC which holds the mineral property within the area subject of MPSA No. 258-2007-II. The property is located in the northeastern portion of Luzon, at the eastern foothills of the Sierra Madre mountains near the coast in Barangay Dimaluade, municipality of Dinapigue, province of Isabela. The project is known as the Isabela Nickel Project which covers an area of 2,392 hectares. It is approximately 425 kilometers from Manila and accessible through approximately 10 hours of land travel.

While the construction of a permanent causeway was deferred pending the necessary permits and additional engineering and design considerations, other development works within the tenement was undertaken. These include repair and maintenance of access roads, construction of offices and staff accommodation, topographic surveys of priority areas for development, and establishment of environmental control measures and nursery facilities.

In 2021, DMC successfully conducted test shipments and delivered ore to its customer. As at February 7, 2022, the mining area of DMC is transitioning from construction and development stage to production stage.

### **Gold and Copper Resources**

#### **Cordillera Exploration Company, Inc.**

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

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

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

On April 15, 2019, CExCI acquired a tenement from Marian and Olympus via a Deed of Assignment with Royalty Agreement. The property predominantly in the province of Isabela has a pending application for a MPSA denominated as APSA-000021-II. In July 2019, CExCI filed for the conversion of the APSA into an EXPA as extensive exploration work is required. The tenement is now denominated as EXPA-000166-II.

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

### ***Zambales***

In 2016, Newminco proceeded to implement its exploration program in the tenement designated as EP-001-2015-III which is located in the Municipalities of Cabangan, San Felipe and San Marcelino in the Province of Zambales. Exploration activities being conducted in the area include geologic mapping and surface sampling which identified prospects and possible drilling areas. Roughly twenty-five (25) kilometers of old farm to market and logging roads were rehabilitated and maintained to gain access to the property. Six hundred and sixty (660) meters of exploratory trenches were dug, logged, sampled and rehabilitated. Diamond core drilling was conducted with a total meterage of 3,799.5 meters. A total of 401 samples were sent to the laboratory for multi-element geochemical analysis.

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

In 2017, a tenement-wide ridge and spur soil sampling program was implemented in order to define targets for more detailed work. The EP expired in July 2017 and was given its first renewal in September 2020. The ridge and spur soil sampling survey was completed in mid 2021 while focused grid sampling was completed by 4th quarter of 2021. Further exploration work is programmed for 2022 with the goal of delineating possible drill targets.

### ***Isabela and Nueva Vizcaya***

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

On January 29, 2020, an Order was issued by MGB approving the Deed of Assignment with Royalty Agreement and the conversion of the APSA to an EXPA. Since its conversion, the documentary requirements and evaluation work for the issuance of the EP have been completed, which should result shortly in the granting of the EP over 90% of the tenement. Further evaluation work is required on the balance of the tenement. Once the EP has been issued, an extensive exploration program on the tenement will be undertaken.

### ***EXPA 116 - Mankayan***

Part of AFTA-008 within the municipality of Mankayan, Benguet province, consisting of 5,157 hectares was converted into an EXPA. Following the conversion, a Field-Based Investigation (FBI) by the National Commission for Indigenous Peoples (NCIP) was conducted as a prelude to the FPIC with the Indigenous Cultural Communities (ICC). Two (2) distinct ADs were identified - Bakun and Mankayan proper. Considerable delays were experienced in the FPIC process due to the local elections in 2016, while subsequently a decision was made to suspend the process to give way to the same process in the second EXPA in the municipality of Cervantes.

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

The effort resulted in the consent to our EXPA given by the Bakun AD in January 2022. As we go to press on this report, negotiations with the ICCs within the AD for their conditions before any exploration work can be done are being undertaken. Once concluded, this should result in clearance from the NCIP followed by the issuance of the EP, since other documentary requirements by the MGB have been completed. On the other hand, a resolution of non-consent was issued by the Mankayan AD. CExCI will file a Motion for Reconsideration with the NCIP while community engagement work continues.



### ***EXPA 116 - Cervantes***

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

The 3rd and final General Assembly to announce the results was conducted on March 13, 2017. Six (6) out of the nine (9) barangays voted for the approval of the exploration program within their areas. Following this development, however, protests and petitions to discredit the results of the general assembly were filed by some groups. A validation exercise to investigate the protests was made by the NCIP in November 2017, which upheld the results of the voting. However, in order to diffuse the situation, no further action was taken by the NCIP regional office.

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

While the lifting of the lockdowns and assemblies has now taken place, a decision was made to push for the continuation of the FPIC process after the May 2022 elections. In the meantime, CExCI's community relations team continues to engage the communities and other stakeholders.

### ***Mountain Province and Benguet***

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

Groundwork for the new EXPAs has commenced with the engagement of a consultant to get a general consensus on the stand of the communities with regards to mineral exploration and mining. The results of this scoping study will be used by CExCI to determine the scope of work after the local elections in May 2022.

### ***AFTA-008 Aluling***

The remaining balance of AFTA-008 consists of 6,704 hectares all situated in the municipality of Cervantes, province of Ilocos Sur. A portion of this area (2,835 hectares) was applied for conversion to EXPA and has been approved by MGB Region 1, including the withdrawal of the remaining areas (3,869 hectares) of AFTA-008 in the province. Planned pre-FBI/FPIC activities for Aluling, if warranted, will be deferred until after the May 2022 elections.

## **N. ENVIRONMENT AND REHABILITATION**

### ***Environmental Responsibility***

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

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

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

Activities undertaken through the Annual EPEP include, among others:

- Rehabilitation of mine disturbed areas
- Reforestation
- Construction and/or maintenance of environmental facilities
- Solid waste management
- Hazardous waste management
- Air quality monitoring and water quality monitoring
- Preservation of downstream water quality

NAC also complies with the ECC conditions and the performance of commitments through the Annual EPEP. This program is monitored and evaluated by the Multipartite Monitoring Team - a multi-sector group headed by a representative from the Regional MGB and representatives of LGUs, other government agencies, NGOs, people's organizations, the church sector and the Group. In 2021, the Group spent approximately ₱383.5 million on its EPEP.

### ***Rehabilitation***

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

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

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

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

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

As a means of restoring the disturbed areas from mining operations, NAC requires each mine site to create a decommissioning/closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The four (4) operating subsidiaries have already developed their respective plans for review and approval of the MGB.

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

As of December 31, 2021, the Group recognized a provision for mine rehabilitation and decommissioning of ₱824.0 million. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. The Company has ₱650.7 million maintained in such trust funds as of December 31, 2021. This amount complies with the minimum requirement under the law.

In 2021 and 2020, the Group planted trees of about 689,174 and 708,779, respectively.

## **O. SOCIAL RESPONSIBILITY**

### Mining

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

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

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

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

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

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

## P. EMPLOYEES

As at December 31, 2021, we had a total of 1,942 regular employees. Of these, 1,686 are employed in mining operations and projects and 59 are employed in power plant operations.

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

### Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	DMC	EPI	JSI	BGI	MGPC	Total
Senior Management	20	-	1	-	-	1	-	3	-	-	-	25
Managers	22	1	1	2	2	2	-	3	-	-	-	33
Supervisors	9	3	1	3	6	1	2	3	1	-	-	29
Rank & File	70	5	5	9	8	8	-	3	3	-	-	111
<b>Total</b>	<b>121</b>	<b>9</b>	<b>8</b>	<b>14</b>	<b>16</b>	<b>12</b>	<b>2</b>	<b>12</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>198</b>

### Minesite/Project Field Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	DMC	EPI	JSI	BGI	MGPC	Total
Senior Management	1	1	1	1	1	-	-	-	-	-	-	5
Managers	-	17	13	56	31	-	10	-	2	-	1	130
Supervisors	6	108	12	221	136	-	30	-	7	1	-	521
Rank & File	8	117	161	387	384	-	2	-	21	4	4	1,088
<b>Total</b>	<b>15</b>	<b>243</b>	<b>187</b>	<b>665</b>	<b>552</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>30</b>	<b>5</b>	<b>5</b>	<b>1,744</b>

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

Minesite	Manpower from local community	Indigenous People
Regular	1,251	78
Probationary	19	-
Project-based/Seasonal	421	16
<b>Total</b>	<b>1,691</b>	<b>94</b>

Plantsite	Manpower from local community	Indigenous People
Regular	36	2
Probationary	1	-
Project-based	2	-
<b>Total</b>	<b>39</b>	<b>2</b>

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

The CBA of HMC was successfully renegotiated and will expire on December 31, 2022. RTN's rank and file CBA expired in December 2020 and a renewed CBA was signed last December 13, 2021. The CBA of the supervisor's union of RTN which started last June 2018 is currently ongoing for a renegotiation for the last two (2) years of the CBA. CMC's CBA expired on December 31, 2020 and a renewed CBA was signed on March 1, 2022. TMC's CBA negotiation which was concluded last March 2020 will expire in December 2025.

Our latest CBA negotiations produced breakthrough provisions in the implementation of salary increases that recognizes the economic factors affecting employee's income and acknowledges individual performance. The new scheme uses a two-tiered implementation of wage increases. The fixed amount reflected in the CBA is divided into an across the board increase and percentage increase based on the performance rating of an employee, to wit:

For RTN, the maximum productivity increase based on the results of Performance Evaluation (PE) is 65% or ₱81.25 per day and 35% or ₱43.75 across the board for all members of union. While for CMC, the maximum productivity increase based on the results of PE is 20% or ₱14.00 per day and 80% or ₱56.00 per day across-the-board increase.

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

#### ***Pension Costs***

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

Defined benefit costs comprise the following:

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

These amounts are calculated periodically by independent qualified actuaries.

## **Q. RISKS RELATED TO OUR BUSINESS AND INDUSTRY**

### ***Mining Industry***

***Changes in, or more aggressive enforcement of, laws and regulations could adversely impact the Group's business*** - Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters.

***Continued moratorium and delay in getting permits*** - The issuance of EO No. 79 put a moratorium on the issuance of new permits pending legislation rationalizing the existing revenue sharing schemes and mechanism have taken effect. The Group relies on permits, licenses, including MPSA, operating agreements with third-party claim owners and land access agreements to conduct its mining operations. The MPSAs and Operating Agreement with respect to its operating mines expire at different times between 2017 and 2047 and require renewal upon expiration. The Group believes that its subsidiaries and affiliates currently hold or have applied for all necessary licenses, permits, operating agreements and land access agreements to carry on the activities that it is currently conducting under applicable laws and regulations, licenses, permits, operating agreements and land access agreements. The Group may be required to prepare and present to government authorities data pertaining to the impact that any proposed exploration or production of ore may have on the environment, as well as efficient resource utilization and other factors that its operations may influence. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuance or whether a permit may be issued at all. Accordingly, the

approvals needed for the Group's mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts its ability to conduct its mining operations profitably.

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

In addition, the local governments where the Group's mines or exploration properties are located may impose additional restrictions on its operations. For instance, the conversion of a mining lease to a MPSA for its Mt. Bulanjao exploration property has been pending for several years due to restrictions on mining above a certain elevation imposed by the Palawan Council for Sustainable Development (PCSD). Recently, the Municipality of Bataraza where the property is located, reclassified the Bulanjao area as open to mineral development. A final endorsement from the PCSD is necessary before RTN can receive the MPSA on the property.

NAC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and laws drawn from a number of different jurisdictions. The Group's facilities operate under various operating and environmental permits, licenses and approvals to satisfy these conditions. Failure to meet these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

**Mine security** - The Group's operations are prone to terrorist attacks and other insurgent atrocities due to the location of mine sites. NAC ensures the safety of its communities and employees by working with the government and tapping all available resources that may help prevent, or at the very least, reduce terror-related incidents.

Each mining operation also employs a safety team under an accredited safety officer to promulgate safety measures and procedures and to ensure that these are followed. Training programs are also being conducted regularly.

On October 3, 2011, around 200 armed men occupied the TMC mine site and destroyed, among others, equipment, building structures, materials and supplies by setting them on fire. Accounting, personnel, laboratory and administrative records were destroyed. Approximately ₱239.5 million worth of damages were sustained. Fortunately, no life or limb was lost. In response to the incident, security was increased, not just in TMC, but in all of the Group's mine sites. This was done in close coordination with the Armed Forces of the Philippines tapping the services of the Special Citizen Armed Forces Geographical Unit Active Auxiliary Companies.

Aside from the above, the Group faces a number of risks and the occurrence of any of these risks could have an adverse impact on our business, results of operations and financial condition.

**Volatility of LME nickel prices** - NAC's revenue is largely dependent on the world market price of nickel. The sales price of nickel ore is correlated with the world market price of nickel. The nickel price is subject to volatile price movements over time and is affected by numerous factors that are beyond its control. These factors include global supply and demand; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. A growing world nickel market and increased demand for nickel worldwide have attracted new entrants to the nickel industry, spurred the development of new mines and expansion of existing mines in various regions, including Australia, Indonesia and New Caledonia, and resulted in added production capacity throughout the industry worldwide. An increasing trend in nickel prices since early 2003 have encouraged new or existing international nickel producers to expand their production capacity. An increased rate of expansion and an

oversupply of nickel in world nickel markets in the future could reduce future nickel prices and the prices that the Group receives under its nickel ore supply agreements. If the sales price of its nickel ore falls below its production costs, the Group will sustain losses and, if those losses continue, it may curtail or suspend some or all of its mining and exploration activities. The Group would also have to assess the economic impact of any sustained lower nickel prices on recoverability and, therefore, the cut-off grade and level of its nickel reserves and resources.

***Nickel mining is subject to a number of inherent risks that are beyond our control*** - The Group's mining operations are influenced by changing conditions that can affect production levels and costs for varying periods and as a result can diminish our revenues and profitability. Inclement or hazardous weather conditions, the inability to obtain equipment necessary to conduct its operations, increases in replacement or repair costs, prices for fuel and other supplies, unexpected geological conditions and prolonged disruption of production at its mines or transportation of its nickel ore to customers could have a significant impact on the productivity of its mines and its operating results.

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

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

The realization of any of these risks could result in damage to NAC's mining properties, nickel ore production or transportation facilities, personal injury or death, environmental damage to its properties, the properties of others or the land or marine environments, delays in mining ore or in the transportation of ore, monetary losses and potential legal liability.

***Changes in Chinese demand may negatively impact world nickel demand and prices*** - Approximately, 75% of NAC's revenue from sale of nickel ore in 2021 was derived from shipments to China. The Chinese market has become a significant source of global demand for commodities.

China's consumption of primary nickel has increased by more than 30% over the past years, according to CRU Strategies. While this increase represents a significant business opportunity, the Group's exposure to China's economy and economic policies has increased. NAC's exposure to the Chinese market and its short-term supply agreements with Chinese customers have resulted in increased volatility in its business. In addition, increased Chinese demand for commodities has led to high volatility in the freight rates for shipping the Group's nickel ore. High freight rates can discourage customers outside the Philippines from entering into long term supply agreements with the Group due to the unpredictability of future shipping costs and can also affect the price Chinese customers are willing to pay for its nickel ore.

China, in response to its increased demand for commodities, is increasingly seeking self-sufficiency in key commodities, including nickel, through investments in nickel mining operations in other countries. In addition, nickel ore is used in the production of stainless steel and a slowdown in the stainless steel industry in China, or China's economic growth in general, could result in lower Chinese demand for NAC's products and therefore reduce its revenue.

***A prolonged decrease in production by the Coral Bay HPAL facility or the Taganito HPAL facility*** Approximately, 17% of the Company's revenue from sale of nickel ore in 2021 was derived from sale of limonite ore to the Coral Bay HPAL facility and Taganito HPAL facility. CBNC, the owner of the Coral Bay HPAL facility, is only required to pay for limonite ore that is actually delivered to the plant and there are no minimum take-or-pay provisions in the ore supply agreement governing NAC's sales of ore to the facility. The ore supply agreement with Taganito HPAL facility is also subject to similar terms. In the event

that the Coral Bay HPAL facility or the Taganito HPAL facility decreases production or experiences an unexpected prolonged shutdown, the Group will reduce the volume of limonite ore that it delivers to the applicable facility or cease such deliveries altogether.

***The Group's reserves may not be replaced, and failure to identify, acquire and develop additional reserves could have an adverse impact on its business, results of operations and financial condition*** - NAC's sources of nickel ore are currently limited to the Rio Tuba, Taganito, Cagdianao and Taganaan mines. The Group's profitability depends substantially on its ability to mine, in a cost-effective manner, nickel ore that possesses the quality characteristics desired by its customers. Because the Group's reserves decline as it mines its nickel ore, its future success and growth depend upon its ability to identify and acquire additional nickel ore resources that are economically recoverable. NAC currently has seven (7) mining exploration properties in the Philippines and if it fails to define additional reserves on any of its existing or future properties, its existing reserves will eventually be depleted. The acquisition of DMC in 2015 will increase the current sources of nickel ore of the Group.

***The Group faces competition in selling nickel ore*** - NAC competes with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers in world nickel ore markets. It competes with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply.

***Continued compliance with safety, health and environmental laws and regulations*** - NAC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, collectively referred to as "laws") drawn from a number of different jurisdictions. The Group anticipates that it will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement or new judicial interpretation of existing laws exists in the areas of worker health and safety, the disposition of waste, the decommissioning and rehabilitation of mining sites and other environmental matters, each of which could have a material adverse effect on the Group's exploration, operations, cost or the viability of a particular project. NAC's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and its right to continue operating its facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

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

#### Power Industry

***Continued compliance with laws and regulations*** - Power companies are required to comply with regulations relevant to the power industry as implemented by agencies like DOE, ERC, NGCP, Board of Investments, DOLE, DENR, Department of Agrarian Reform, NCIP, Bureau of Internal Revenue (BIR), SEC and LGUs. A risk will arise if the Company is unable to timely and satisfactorily comply with regulatory requirements. To mitigate this risk, the Company's subsidiaries monitor and comply with all such legal and regulatory requirements.

***Market risk*** - JSI generates solar energy and all its energy production enjoys the benefit of priority dispatch to the grid. JSI sells to the WESM and, as such, is a market-price-taker. For the proposed geothermal power projects, long-term power sales contracts with distribution utilities are entered into, the Company evaluates the market risks and implements appropriate strategies to mitigate such risks.



**Engineering, Procurement and Construction (EPC) may not be completed as planned** - The Group's power subsidiary is still increasing its renewable energy capacity. There is always a risk that EPC of the various power plant facilities is not completed as planned, particularly in terms of standards, specifications, costs and timing. To mitigate this risk, the Group engages reputable contractors with the requisite track record to complete the project EPC. A full range of insurance protection as well as performance guarantees are being arranged by the Group. The Group also hires its own engineers to have quality control over the EPC workmanship.

**Shortage or lack of adequate and qualified personnel** - A well-run power plant is vital to ensuring that the renewable energy production potential of the power plant is effectively harnessed, optimized, efficiently and fully delivered. To achieve this, the Group has and will continue to contract the services of seasoned power plant operations and maintenance managers and their respective teams of qualified personnel.

**Occurrence of environment and natural catastrophes** - Before undertaking any renewable energy project, the Group takes into consideration various factors including (a) project location - whether the potential power production sites are in areas identified by government agencies/authorities as susceptible to natural disasters/extreme weathers; (b) geotechnical studies - prepared by reputable global renewable energy consulting firms for every potential project site who research and recommend the appropriate technologies, types of materials or equipment to use, and the minimum performance specifications and standards to adopt to ensure maximum tolerance say against wind strength in the area (e.g. minimum strength of solar panel braces), and the design of the plants; and (c) expert views - articulated by seasoned practitioners/specialists in solar and geothermal technologies. Such force majeure or acts-of-God occurrences are covered by provisions in all contracts entered into by the Group. The Group is mitigating the risk that naturally occurring perils cause damage to or disrupt renewable energy projects during their developmental and operating phases by obtaining various appropriate insurance coverage/s and instituting systems and procedures to minimize if not avoid the impact of these occurrences.

## Item 2. PROPERTIES

### A. MINING PROPERTIES AND PERMITS

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

#### RIO TUBA NICKEL MINING CORPORATION

##### A. Rio Tuba Mine

*MPSA No. 114-98-IV- Amended I covering beneficiated nickel mine* - On June 4, 1998, RTN was issued a MPSA by the DENR covering an area of 990 hectares, situated at Barangay Rio Tuba, Bataraza, Palawan, valid for twenty-five (25) years, renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions. On August 22 and November 4, 2019, RTN's application for a separate ECC and MPSA amendment, respectively, were approved covering additional area of 3,548.44 hectares, for a total accumulated area of 4,538.44 hectares. The amended MPSA was further renewed for another twenty-five (25) years on December 2, 2021, subject to the conditionality on the issuance of the Certification Precondition from the NCIP. Lastly, PCSD Resolution 21-775 approving the amendment to the ECAN Zones Map in the Municipality of Bataraza, was adopted by the municipality.

*MPSA No. 213-2005-IVB for RTN's Limestone Quarry* - On April 28, 2005, RTN was issued another MPSA for a total area of 84.5364 hectares with an ECC for 13 hectares in Bataraza, Palawan. This MPSA was also given a validity of twenty-five (25) years renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions. This MPSA covers the Sitio Gotok limestone pit, whereby limestones are being sold to CBNC and other customers. The terms and conditions of this MPSA mirror the terms of MPSA No. 114-98-IV granted to RTN, albeit covering mining of limestone rather than nickel products. An application to expand the current ECC by another 46.9 hectares is ongoing.

## **HINATUAN MINING CORPORATION**

### **A. Taganaan Mine**

MPSA 246-2007-XIII - On July 25, 2007, HMC was granted a MPSA covering 773.77 hectares of mineral land in Hinatuan Island, Barangay Talavera, Taganaan, Surigao del Norte within Parcel II of the Surigao Mineral Reservation for a period of twenty-five (25) years renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions.

However, with the depleting resources of HMC, its mine life is estimated to be until two (2) years only based on its remaining direct shipment ores. Feasibility studies are currently on-going to determine the possibility of HMC delivering low-grade limonite ores to CBNC, one of the local nickel processing plants in the Philippines, to further extend its mine life. In addition, drilling of areas are still ongoing in the hope of finding additional ore resources.

### **B. Manicani Mine**

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

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

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

## **TAGANITO MINING CORPORATION**

### **A. Taganito Mine**

MPSA No. 266-2008-XIII - TMC was granted a MPSA on June 18, 2009 for a period of twenty-five (25) years subject to renewal as may be mutually agreed upon. The MPSA covers an area of 4,862.7116 hectares located at the Barangays of Hayanggabon, Urbiztondo, Taganito and Cagdianao, Municipality of Claver, Province of Surigao del Norte.

### **B. Kepha Exploration**

MPSA No. 284-2009-XIII - On June 19, 2009, Kepha was issued a MPSA covering 6,980.75 hectares of mineral land situated in the Municipality of Claver, Province of Surigao del Norte within Parcel I of the Surigao Mineral Reservation. The MPSA is for a period of twenty-five (25) years and renewable for another twenty-five (25) years as may be mutually agreed upon by the parties.

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

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

C. La Salle Exploration

La Salle filed an application for MPSA denominated as APSA No. 000073-XIII covering 6,824 hectares of mineral land situated at Brgy. Sicosico, Municipality of Gigaquit, Surigao del Norte, Mindanao for the development of limestone deposits as mine.

On December 18, 2006, La Salle entered into an Operating Agreement with TMC for a term of twenty-five (25) years whereby TMC shall maintain the mining rights of La Salle covering the aforesaid properties and to keep the rights in current and good standing for and on behalf of La Salle. Subsequent to the Operating Agreement, La Salle submitted to the MGB an amended MPSA plan, reducing the area from 6,824 hectares to 972 hectares.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle as TMC is no longer interested in the exploration and/or development of the limestone deposit inside the property.

**CAGDIANAO MINING CORPORATION**

Cagdianao Mine

*MPSA No. 078- 97- XIII* - On November 19, 1997, East Coast Mineral Resources Co., Inc. (East Coast) was granted a MPSA for a period of twenty-five (25) years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 697.0481 hectares situated at Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

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

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

**DINAPIGUE MINING CORPORATION**

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

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

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

## **CORDILLERA EXPLORATION CO., INC.**

### A. Marian

The area covers 6,325 hectares in Cordon, Isabela and, Diadi, Nueva Vizcaya. It was converted from APSA-00021-II upon execution of a Deed of Assignment with Royalty Agreement by and between Marian and Olympus and CExCI. Denominated as EXPA-000166-II, exploration activities will commence once EP has been issued.

### B. Mankayan

It is located in the Municipalities of Mankayan and Bakun in the Province of Benguet. Denominated as EXPA-116-CAR, it covers an area of 5,157 hectares. It is currently undergoing the FPIC process of NCIP in the Mankayan and Bakun ADs as part of the requirement for the issuance of EP.

### C. Cervantes

Denominated as EXPA-116-I, it is located in Cervantes, Ilocos Sur with an area of 6,012 hectares. It is also undergoing the FPIC process, however, activities have been postponed to give way to the National and Local elections in May 2022 as requested by the LGU.

### D. Mountain Province and Benguet

This covers three (3) areas within Cordillera Administrative Region (CAR) which were officially converted from AFTA-008 on December 17, 2020 and were denominated as follows: EXPA No. 119 (Besao) covering an area of 3,645 hectares in Besao and Tadian, Mountain Province; EXPA No. 120 (Bedbed) covering an area of 2,835 hectares in Mankayan, Benguet and Tadian, Mountain Province; and EXPA No. 121 (Sadanga) covering an area of 5,751 hectares in Bontoc and Sadanga, Mountain Province. Community scoping work is currently being conducted in the areas.

### E. Aluling

Situated in Cervantes, Ilocos Sur, it covers an area of 2,835 hectares. Its conversion to EXPA has been approved by MGB Region 1. Activities for Aluling, if warranted, will be deferred until after the May 2022 elections.

## **NEWMINCO PACIFIC MINING CORPORATION**

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

The EP 001-2015-III expired in July 2017 and its first renewal was approved by MGB on March 3, 2020. The duration of the first renewal was also extended up to September 29, 2022 due to the current COVID-19 pandemic situation.

## B. MINERAL RESOURCES AND RESERVES

As of December 31, 2021, the Company's Total Mineral Resources and Ore Reserves in accordance with Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
<i>Ore Reserves*</i>						
Saprolite	Proved and Probable	104,259	69,165	1.44	14.35	996
Limonite	Proved and Probable	167,124	112,174	1.04	43.06	1,169
<i>Mineral Resources**</i>						
Saprolite	Measured and Indicated	153,130	101,402	1.47	13.61	1,493
Limonite	Measured and Indicated	228,903	152,823	1.03	43.00	1,579
Saprolite	Inferred	34,928	22,917	1.39	14.16	319
Limonite	Inferred	8,512	5,650	1.07	37.29	61

\* This ore reserves estimate was prepared by Engr. Arnilo C. Milaor, Assistant Vice President - Production. Engr. Milaor is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. He is a licensed mining engineer with PRC registration number 1906. He has given his consent to the attachment of this statement to the 17-A 2021 Annual Report concerning Ore Reserve Estimation.

\*\* This mineral resources estimate was prepared by Ms. Kristine Grace C. Victoria, Assistant Vice President - Geologic Management. Ms. Victoria is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. She is a licensed geologist with License number 1721. She has given her consent to the attachment of this statement to the 17-A 2021 Annual Report concerning Mineral Resources Estimation.

## C. PROCESSING FACILITIES

### CBNC

Facility	.....	Coral Bay HPAL nickel processing plant
Location	.....	In a Special Economic Zone adjacent to Rio Tuba mine
Ownership	.....	NAC (10%) Mitsui and Co., Ltd. (Mitsui; 18%) Sojitz Corporation (Sojitz; 18%) SMM (54%)
Operations	.....	Commissioned in 2005 with design capacity of 10,000 tonnes per year of contained nickel. Capacity doubled to 20,000 tonnes per year of contained nickel in June 2009 and attained annual capacity of 24,000 tonnes in 2010 due to facility expansion.
Technology	.....	HPAL process
Source of ore	.....	mainly from Rio Tuba mine
Product	.....	Nickel-cobalt sulfide sold exclusively to SMM

The Company acquired its 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant, by way of property dividend distributed by RTN in March 2014. A consortium of Japanese companies led by SMM holds the remaining 90% equity interest. The plant was constructed adjacent to the Rio Tuba mine in an area designated as a Special Economic Zone by the Philippine Export Zone Authority (PEZA). As such, CBNC enjoys tax incentives, including a tax holiday. Most of the limonite ore required by the plant is supplied by RTN from its extensive stockpile and from newly mined ore. RTN also supplies limestone and undertakes certain materials handling and transportation services up to May 2021. The plant produces a nickel sulfide precipitate containing approximately 57% nickel and 4% cobalt, which is sold exclusively to SMM for refining at its Nihama refinery. The facility uses proprietary SMM technology under a non-exclusive license.

## THNC

Facility . . . . .	Taganito HPAL nickel processing plant
Location . . . . .	In a Special Economic Zone adjacent to the Taganito mine
Ownership . . . . .	NAC (10.0%) SMM (75.0%) Mitsui (15.0%)
Operations . . . . .	Commenced commercial operations at full capacity in October 2013; with annual capacity of approximately 30,000 tonnes of mixed nickel-cobalt sulfide over an estimated thirty (30) year project life
Technology . . . . .	HPAL process
Source of ore . . . . .	Taganito mine
Product . . . . .	Nickel-cobalt sulfide sold exclusively to SMM

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

Pursuant to the Taganito HPAL Stockholders Agreement that NAC entered into on September 15, 2010, the project will be undertaken by THNC, a company that will be jointly owned by NAC (as to 22.5%), SMM (as to 62.5%) and Mitsui (as to 15.0%). The agreement contains a term sheet with principal terms of an offtake agreement to be entered into between THNC and TMC for the supply of limonite ore. Similar to the Coral Bay HPAL facility, the plant is located in a Special Economic Zone approved by the PEZA and enjoy tax incentives. The operation of the facility provides an additional dedicated customer for limonite ore from our Taganito mine which allows us to benefit from the higher percentage of payable nickel available further downstream in the nickel value chain.

The estimated total cost is US\$1.7 billion, which includes capital expenditures of US\$1.6 billion for the plant, working capital and US\$100.0 million of interest accrued during the construction phase. An estimated of US\$1.1 billion of the project costs will be financed with debt financing that will be incurred by THNC. Under the terms of the Stockholders Agreement, we will be required to guarantee a portion of such debt financing equal to our 22.5% equity interest in THNC. On September 15, 2010, we entered into an agreement with SMM whereby SMM will guarantee our pro-rata portion of THNC's loan obligation in exchange for the payment of an annual guarantee service fee to SMM of 1% of our pro-rata share of the outstanding loan obligation.

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

In the absence of cost overruns or major expansion plan, THNC is expected to distribute all of its available cash as dividends to shareholders in any financial year, after payments have been made for operating expenses, applicable taxes, capital expenditure, working capital, scheduled loan principal and interest repayments, and after making provisions for upcoming installments of the loans and required working capital.

#### **D. REAL PROPERTIES**

TMC owns the following parcels of land located in Surigao City:

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

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

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

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

#### **E. SERVICE CONTRACTS**

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

##### *Solar Energy Service Contract No. 2013-10-039*

On October 31, 2013, JSI entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan, which is part of the Subic Bay Freeport Zone. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity generated from the solar energy operations.

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

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

JSI commenced operation in May 2016.

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

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

##### *Solar Energy Operating Contract No. 2021-01-577*

In February 2020, JSI applied for a second 100MW solar service contract also located at the Subic Bay Freeport Zone.

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

As of December 31, 2021, this project is still in the pre-development stage.

*Geothermal Renewable Energy Service Contract No. 2016-02-060*

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

The Project is in the exploration stage as at December 31, 2021.

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

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

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRES to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRES to MGPC. The DOE approved EPI's application on February 16, 2016 under Certificate of Registration No. 2016-02-060.

The Project is currently at the exploration phase and is expected to have an operating capacity of 40MW. The geothermal plant will supply electricity to Oriental Mindoro and Occidental Mindoro at 20MW capacity each.

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

On September 6, 2021, MGPC entered into a MOA with SRE on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago geothermal field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system. As of December 31, 2021, the electrical submersible pump to be used for the flow test is being manufactured based on the updated temperature data from the geothermal wells.

*Geothermal Renewable Energy Service Contract No. 2010-02-010*

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

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

On July 24, 2021, BGI entered into a Project Funding, Build and Transfer Agreement with SRE for SRE to (i) finance, design, construct, install and transfer to BGI a geothermal powerplant in phases, using the



existing geothermal wells and (ii) finance, design, construct, rehabilitate and upgrade the existing 13.2kV distribution lines of Biliran Electric Cooperative, Inc. for the purpose of evacuating power from the geothermal facility to the grid. The agreement is effective upon its signing and, unless earlier terminated or extended, shall be for a period of twenty-five (25) years from the project's commercial operation date. As of December 31, 2021, the equipment is being manufactured and the project has not yet commenced operation.

*Geothermal Renewable Energy Service Contract No. 2017-03-056*

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

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

As of December 31, 2021, this project is still in the pre-development stage.

#### **F. LIENS AND ENCUMBRANCES**

As at December 31, 2021, NAC's property and equipment are free from all liens and encumbrances.

#### **Item 3. LEGAL PROCEEDINGS**

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

*Asiacrest Marketing Corporation (Asiacrest) - First Integrated Bonding and Insurance Co. (FIBIC) Case*

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

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

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

On December 29, 2017, JSI received FIBIC's Petition for Certiorari with the Supreme Court (SC). FIBIC contests the resolution of the CA denying its application for a writ of preliminary injunction. This Petition for Certiorari was denied by the SC for failure of FIBIC to show any reversible error in the CA Resolution. On June 6, 2018, the SC's resolution became final and executory and recorded in the Book of Entries of

Judgments. The CA, subsequently issued a Joint Decision on the merits of the Petition for Review of Asiacrest and FIBIC. The Joint Decision dismissing the said Petition for Review and affirmed the Final Award with some modifications (CA Decision). FIBIC filed a Petition for Certiorari in the SC assailing the CA Decision.

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

On June 26, 2019, EPI and JSI signed a deed of assignment, wherein JSI assigns, transfers and conveys to EPI, on a non-recourse basis, all its rights, title and interest in and to Asiacrest and FIBIC in partial payment of EPI's advances to JSI, to the extent of ₱514.7 million. As a result of the increased credit risk associated to Asiacrest, EPI provided an allowance for impairment losses on advances to a contractor amounting to ₱514.7 million as at December 31, 2021.

#### MGPC's Petition for Interim Measure of Protection

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

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

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

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

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

#### OMEKO's Petition for Certiorari and Prohibition

In October 2019, OMEKO filed with the CA a Petition for Certiorari and Prohibition (Petition) praying for the following: i) nullifying and setting aside the Orders by the Pasig RTC Branch 67 for having been issued without jurisdiction and in blatant contravention to the provisions of Section 43 (u) and Section 78 of the EPIRA; and ii) prohibiting the Pasig RTC Branch 67 from conducting further proceeding in the Petition for Interim Measure of Protection filed by MGPC and/or from enforcing in whatever manner the assailed

Orders. On September 25, 2020, MGPC submitted its comment on the Petition. On November 17, 2021, the Court promulgated its Decision, granting OMECO's Petition for Certiorari and Prohibition and setting aside the Orders of the Lower Court that granted MGPC's Application for the issuance of a Temporary Order of Protection. On December 13, 2021, MGPC filed a Motion for Reconsideration. On December 22, 2021, the Court issued a Resolution, referring said Motion for Reconsideration to OMECO for comment. MGPC has not yet received a copy of the comment from OMECO.

TMC, BIR and Bureau of Customs (BOC) Petitions

TMC has a petition for review and application with the BIR for the refund of excess input taxes amounting to a total of ₱100.0 million. In 2021 and 2020, TMC received check payments from BOC amounting to ₱4.9 million and ₱56.7 million, respectively.

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

TMC filed the instant Petition to declare as null the Provincial Ordinance No. 01-2017 imposing Real Property Tax on mining area covered by MPSA of TMC for being beyond the taxing authority of the local government. Virtual trial is set April 29, 2021 since physical appearance in court is prohibited in view of the COVID-19 pandemic.

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

This is Petition to declare the nullity of the Claver Municipal Ordinance No. 2017-27 which increased the local business tax imposed on mining companies from 1% to 2% of the gross receipts for being violative of Sections 130 and 191 of the Local Government Code. Section 191 expressly limits any increase in business tax rate to a maximum of 10% of the current tax rate every five (5) years. The total business taxes paid under protest by TMC is at ₱153.4 million collectively paid from 2018 to 2020.

Petition to Recall Strategic Environmental Plan (SEP) Clearance

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

Action for Declaration of Nullity of Dinagat Island Provincial Ordinance No. 08-058 Imposing Soil Depletion Tax

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

Collection for Sum of Money for Payment of Soil Depletion Tax under Dinagat Island Provincial Ordinance No. 08-058

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

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

There were no matters covered under this item submitted in 2021 to the security holders for a vote.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

#### A. MARKET INFORMATION

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

	High	Low
<b>2019</b>		
1 <sup>st</sup> Quarter	₱2.88	₱2.22
2 <sup>nd</sup> Quarter	₱2.58	₱2.09
3 <sup>rd</sup> Quarter	₱4.90	₱2.16
4 <sup>th</sup> Quarter	₱4.19	₱2.89
<b>2020</b>		
1 <sup>st</sup> Quarter	₱3.21	₱1.36
2 <sup>nd</sup> Quarter	₱1.95	₱1.36
3 <sup>rd</sup> Quarter	₱3.36	₱1.70
4 <sup>th</sup> Quarter	₱5.60	₱2.98
<b>2021</b>		
1 <sup>st</sup> Quarter	₱6.32	₱4.70
2 <sup>nd</sup> Quarter	₱5.70	₱5.01
3 <sup>rd</sup> Quarter	₱6.21	₱5.27
4 <sup>th</sup> Quarter	₱5.70	₱4.90

The share price of the Parent Company’s stocks was at ₱8.43 per share as of March 10, 2022.

#### B. HOLDERS

The Company has 86 shareholders as of December 31, 2021, with outstanding common shares of 13,630,850,117. The top 20 stockholders of the Company as at December 31, 2021 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	7,333,301,832	53.80%
Sumitomo Metal Mining Philippine Holdings Corporation (SMMPHC)	Filipino	2,600,384,267	19.08%
PCD Nominee Corporation (Non-Filipino)	Foreign	2,441,837,319	17.91%
Nonillion Holding Corp.	Filipino	1,186,000,000	8.70%
Gerard H. Brimo	Filipino	26,641,344	00.20%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	Filipino	20,880,000	00.15%
Ricardo Sy Po or Angelita Tan Po or Leonardo Arthur Tan Po	Filipino	8,508,377	00.06%
Ronaldo B. Zamora	Filipino	2,340,403	00.02%
Megastar Real Estate Corporation	Filipino	2,340,000	00.02%
Koh Teng Ong Chong	Filipino	1,967,040	00.01%
Rolando R. Cruz	Filipino	1,106,914	00.01%
CHS Capital Holdings, Inc.	Filipino	750,000	00.01%
Eva Policar-Bautista	Filipino	658,123	00.00%
Jose B. Anievas	Filipino	573,750	00.00%
Steven Ivan Lim Yu	Filipino	523,530	00.00%
Josephine Chua Lim	Filipino	457,200	00.00%
RMJ Development Corporation	Filipino	405,000	00.00%
Regina Capital Dev. Corp. 000351	Filipino	381,900	00.00%

Name	Citizenship	Shares	% of Ownership
Ludwig Heinrich Alfred Maulbecker	German	350,000	00.00%
Singh Grewal Beant	Filipino	252,000	00.00%

### C. DIVIDENDS

The following table shows the dividends declared and paid to common shareholders for the years ended December 31, 2021, 2020 and 2019:

#### *Cash Dividends*

<u>Year</u>	<u>Date</u>			<u>Dividend Per Share</u>	<u>Amount Declared (in millions)</u>
	<u>Declaration</u>	<u>Record</u>	<u>Payment</u>		
<i>Regular</i>					
2021	March 11, 2021	March 25, 2021	April 8, 2021	₱0.09	₱1,226.8
2020	March 13, 2020	March 27, 2020	April 8, 2020	0.08	1,090.6
2019	March 14, 2019	March 28, 2019	April 12, 2019	0.07	957.2
<i>Special</i>					
2021	November 4, 2021	November 18, 2021	December 2, 2021	₱0.22	₱2,998.8
2021	March 11, 2021	March 25, 2021	April 8, 2021	0.14	1,908.3
2020	August 7, 2020	August 24, 2020	September 4, 2020	0.22	2,998.8

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

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

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

### D. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

No unregistered securities were sold in 2021.

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

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

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

### Summary Financial Information

The Consolidated Financial Statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 are hereto attached.

The following tables set forth the summary financial information for the three (3) years ended December 31, 2021, 2020 and 2019 and as at December 31, 2021, 2020 and 2019:

	Summary of Consolidated Statements of Income						
	For the Years Ended December 31			Horizontal Analysis			
	2021	2020	2019	Increase (Decrease)		Increase (Decrease)	
	(In Thousand Pesos)			2021 vs 2020	%	2020 vs 2019	%
Revenue	₱27,404,115	₱21,771,581	₱17,923,294	₱5,632,534	25.87%	₱3,848,287	21.47%
Costs	(8,294,584)	(8,161,793)	(7,815,156)	132,791	1.63%	346,637	4.44%
Operating expenses	(6,316,527)	(5,692,925)	(4,867,354)	623,602	10.95%	825,571	16.96%
Finance income	162,075	238,293	405,598	(76,218)	-31.98%	(167,305)	-41.25%
Finance expense	(244,081)	(274,502)	(343,655)	(30,421)	-11.08%	(69,153)	-20.12%
Equity in net income of associates	557,863	190,447	10,383	367,416	192.92%	180,064	1,734.22%
Other income (charges) - net	701,593	(263,209)	168,824	964,802	366.55%	(432,033)	-255.91%
Provision for income tax - net	(3,332,280)	(2,318,850)	(1,655,506)	1,013,430	43.70%	663,344	40.07%
Net income	₱10,638,174	₱5,489,042	₱3,826,428	₱5,149,132	93.81%	₱1,662,614	43.45%
Net income attributable to:							
Equity holders of the Parent	₱7,812,575	₱4,068,732	₱2,684,969	₱3,743,843	92.01%	₱1,383,763	51.54%
Non-controlling interests	2,825,599	1,420,310	1,141,459	1,405,289	98.94%	278,851	24.43%
	₱10,638,174	₱5,489,042	₱3,826,428	₱5,149,132	93.81%	₱1,662,614	43.45%

	Summary of Consolidated Statements of Financial Position						
				Horizontal Analysis			
	2021	2020	2019	Increase (Decrease)		Increase (Decrease)	
	(In Thousand Pesos)			2021 vs 2020	%	2020 vs 2019	%
Current assets	₱24,011,065	₱22,011,970	₱22,023,257	₱1,999,095	9.08%	(₱11,287)	-0.05%
Noncurrent assets	27,689,817	26,901,320	26,238,696	788,497	2.93%	662,624	2.53%
Total assets	₱51,700,882	₱48,913,290	₱48,261,953	₱2,787,592	5.70%	₱651,337	1.35%
Current liabilities	₱11,924,982	₱10,944,323	₱9,920,481	₱980,659	8.96%	₱1,023,842	10.32%
Noncurrent liabilities	3,446,700	3,372,178	3,210,211	74,522	2.21%	161,967	5.05%
Non-controlling interests	3,389,433	3,554,393	3,761,230	(164,960)	-4.64%	(206,837)	-5.50%
Equity attributable to equity							
Holders of the Parent	32,939,767	31,042,396	31,370,031	1,897,371	6.11%	(327,635)	-1.04%
Total liabilities and equity	₱51,700,882	₱48,913,290	₱48,261,953	₱2,787,592	5.70%	₱651,337	1.35%

	<b>For the Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(In Thousand Pesos)</b>		
Net cash flows from (used in):			
Operating activities	₱9,676,373	₱8,777,806	₱5,833,408
Investing activities	(2,819,360)	(2,858,174)	(1,573,145)
Financing activities	(8,048,264)	(5,841,773)	(2,888,599)
Net increase (decrease) in cash and cash equivalents	(1,191,251)	77,859	1,371,664
Cash and cash equivalents, beginning	11,835,201	11,943,128	10,784,369
Effect of exchange rate changes in cash and cash equivalents	182,856	(185,786)	(212,905)
Cash and cash equivalents, end	<b>₱10,826,806</b>	<b>₱11,835,201</b>	<b>₱11,943,128</b>

## **RESULTS OF OPERATIONS**

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

#### **Revenues**

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

#### **Sale of Ore**

The Group sold a total of 17.94 million WMT of nickel ore at the weighted average realized price of \$29.13 per WMT in 2021, compared to 18.20 million WMT at \$22.46 per WMT in 2020.

Breaking down the ore sales, the Group exported 10.79 million WMT of saprolite and limonite ore to customers in Japan and China at the average price of \$40.40 per WMT in 2021. This compares to 10.02 million WMT at \$33.99 per WMT in 2020. Likewise, NAC delivered 7.14 million WMT of limonite ore to the Coral Bay and Taganito HPAL plants, the prices of which are linked to the LME, and realized an average price of \$8.36 per pound of payable nickel. This compares to 8.18 million WMT at \$6.22 per pound of payable nickel in 2020. Expressed in US\$ per WMT, deliveries to the two HPAL plants generated \$12.11 and \$8.33 per WMT in 2021 and 2020, respectively.

On a per mine basis, the Group's Taganito mine accounted for 46% of total shipments in 2021. The mine shipped 4.29 million WMT of saprolite ore and delivered 4.00 million WMT of limonite ore to the Taganito HPAL plant, or a total combined shipment of 8.29 million WMT. The comparable figures for 2020 were 3.63 million WMT of saprolite ore and 4.89 million WMT of limonite ore to the Taganito HPAL plant, or a combined shipment of 8.52 million WMT.

The Rio Tuba mine accounted for 27% of total shipments, consist of 1.87 million WMT of saprolite ore and 2.92 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 4.79 million WMT. The comparable figures for 2020 were 1.98 million WMT and 3.03 million WMT or a total of 5.01 million WMT.

Shipments from the Group's Hinatuan mine was 1.82 million WMT in 2021 compared to 1.68 million WMT in 2020. On the other hand, the Cagdianao mine shipped 3.01 million WMT in 2021 as against 2.99 million WMT in 2020.

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

#### **Sale of Limestone**

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

#### *Sale of Quarry Materials*

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

#### *Services and Others (excluding sale of quarry materials)*

The Group's revenue from services and others improved by 3% to ₱646.1 million from ₱629.5 million following the 17% increase in the materials handled by RTN and CDTN for CBNC and TMC for THNC. Services revenue largely consists of payments made in consideration for hauling, manpower and other ancillary services that RTN and CDTN provide to CBNC and TMC to THNC, and usage fee charged by TMC to THNC for the use of its pier facility.

#### *Sale of Power*

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

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

#### Costs

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

#### *Cost of Sales*

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

#### *Cost of Power Generation*

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

#### *Cost of Services*

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

#### Operating Expenses

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

#### *Excise Taxes and Royalties*

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



### *Shipping and Loading Costs*

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

### *General and Administrative*

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

### *Marketing*

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

### *Finance Income*

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

### *Finance Expenses*

The drop in the Group's finance expenses by 11%, to ₱244.1 million from ₱274.5 million, was driven by the continuous decline in the London Inter-Bank Offered Rate (LIBOR) from an average of 1.23% to 0.21% as a result of the COVID-19 global pandemic. Likewise, domestic borrowing rate fell from an average of 6.19% to an average of 5.23% and guarantee fee rate from 1% to 0.6% starting September 2020.

### *Equity in Net Income of Associates.*

Following higher nickel LME prices, the Company recognized a gain from its equity share in investments in the two (2) HPAL plants in the combined amount of ₱557.9 million in 2021 compared to ₱190.4 million in 2020.

### *Other Income (Charges) - Net*

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

### *Provision for Income Tax - Net*

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

### *Net Income*

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

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

### *Revenues*

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

### *Sale of Ore*

The Group exported a total of 10.02 million WMT of nickel ore in 2020, down 4% from 10.44 million WMT in 2019. However, ore export prices increased 45% from \$23.52 per WMT of ore sold in 2019 to \$33.99 per WMT in 2020.

With respect to ore deliveries to THNC and CBNC plants, the pricing of which is linked to the LME, the Group delivered 8.18 million WMT in 2020 at an average price of \$6.22 per pound of payable nickel. This compares to 8.39 million WMT in 2019 at an average price of \$6.23 per pound of payable nickel.

On a combined basis, the Group sold a total of 18.20 million WMT at \$22.46 per WMT and 18.84 million WMT at \$16.69 per WMT in 2020 and 2019, respectively. The significant improvement in the realized nickel price of the combined ore exports and ore deliveries to the two (2) plants in 2020 more than offset the slight decline in sales volume and the less favorable Peso to US\$ exchange, resulting to total revenues increasing by 21%.

On a per mine basis, the Group's Taganito mine accounted for 47% of total shipments in 2020. The mine shipped 3.63 million WMT of saprolite ore and delivered 4.89 million WMT of limonite ore to the Taganito HPAL plant, or a total combined shipment of 8.52 million WMT. The comparable figures for 2019 were 4.18 million WMT of saprolite ore and 4.98 million WMT of limonite ore, of which 4.93 million WMT were delivered to the Taganito HPAL plant, or a combined shipment of 9.16 million WMT.

The Rio Tuba mine accounted for 28% of total shipments, consist of 1.98 million WMT of saprolite ore and 3.03 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.01 million WMT. The comparable figures for 2019 were 1.45 million WMT and 3.43 million WMT or a total of 4.88 million WMT.

Shipments from the Group's Hinatuan mine amounted to 1.68 million WMT in 2020 compared to 2.02 million WMT in 2019. On the other hand, the Cagdianao mine shipped 2.66 million WMT of saprolite ore and 0.33 million WMT of limonite ore in 2020 as against 2.75 million WMT and 0.03 million WMT in 2019.

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

### *Sale of Limestone*

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

### *Sale of Quarry Materials*

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

### *Services and Others (excluding sale of quarry materials)*

The Group's revenue from services and others declined by 8% to ₱629.5 million from ₱681.7 million following the 4% decrease in the materials handled by RTN for CBNC.

### *Sale of Power*

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

On the other hand the energy delivered by NAC's diesel power plant in 2020 was around 5% only of the energy delivered in 2019 due to very low load nomination from SURNECO. Sale of power also includes capital recovery fee (CRF) billed to SURNECO which amounted to ₱134.3 million in 2020 as against ₱111.9 million in 2019. CRF is a fixed fee which pertains to the amount billed for the recovery of capital investments for the project and

this is computed based on the contracted capacity. In 2019, the plant is operating at 2/3 of its contracted capacity compared to 2020 wherein the plant is operating at full contracted capacity of 10MW.

#### Costs

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

#### *Cost of Sales*

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

#### *Cost of Power Generation*

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

#### *Cost of Services*

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

#### Operating Expenses

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

#### *Excise Taxes and Royalties*

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

#### *Shipping and Loading Costs*

Shipping and loading costs went up by 20% due to net demurrage incurred amounting to ₱70.0 million in 2020 compared to ₱23.1 million in 2019. Aside from this, LCT with bigger capacities were chartered in 2020. The Group also shared in the charter fee during the quarantine period of the affected LCT's. However, the increase was partially offset by the decline in fuel consumption due to COVID-19 pandemic, coupled with the decrease in fuel price by around 25%.

#### *General and Administrative*

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

#### *Marketing*

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

#### Finance Income

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

#### Finance Expenses

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

#### Equity in Net Income of Associates

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

#### Other Income (Charges) - Net

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

#### Provision for Income Tax - Net

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

#### Net Income

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

### **Calendar year ended December 31, 2019 compared with calendar year ended December 31, 2018**

#### Revenues

NAC's total revenues in 2019 was ₱17,923.3 million, lower by ₱724.4 million or 4% compared to ₱18,647.7 million in 2018. The Group sold an aggregate 18.84 million WMT of nickel ore in 2019 as against 19.35 million WMT in 2018. The Group focused more on shipments of its higher value saprolite ore to China resulting to a decline in export shipments in 2019. Lower export shipments combined with a less favorable Peso to US\$ exchange rate led to the decline in revenue.

#### Sale of Ore

The decrease in shipment volume resulted to a decrease in the Group's value of shipments by 6% to ₱16,255.6 million from ₱17,294.3 million.

Of the total volume of ore shipped, direct export of ore, which accounted for 55% of total shipments, dropped to 10.44 million WMT in 2019 from 11.54 million WMT in 2018. On the other hand, ore deliveries to both the Coral Bay and Taganito processing plants, which accounted for the balance, increased to 8.39 million WMT in 2019 compared to 7.81 million WMT in 2018.

In terms of price, the Group realized an average of \$6.23 per pound of payable nickel on its shipments of ore to the two (2) HPAL plants in 2019, the pricing of which is linked to the LME. This compares to an average price of \$5.95 per pound of payable nickel sold in 2018. However, when expressed in US\$ per WMT, which also accounts for the cobalt credits that the Group receives for the cobalt contained in its ore, the Group achieved a realized price of \$8.19 per WMT, lower compared to the \$9.97 per WMT achieved in 2018.

With respect to export sales, the Group achieved an average price of \$23.52 per WMT compared to \$21.53 per WMT realized in 2018. On a combined basis, the average price received for sales of both ore exports and ore deliveries to the two (2) plants in 2019 was \$16.69 per WMT, slightly lower than the \$16.86 achieved in 2018.

On a per mine basis, the Group's Taganito mine accounted for 49% of total shipments in 2019. The mine shipped 4.18 million WMT of saprolite ore and 4.98 million WMT of limonite ore, of which 4.93 million WMT were delivered to the Taganito HPAL plant, or a total combined shipment of 9.16 million WMT. The comparable figures for 2018 were 4.01 million WMT of saprolite ore and 4.80 million WMT of limonite ore, of which 4.25 million WMT were delivered to the Taganito HPAL plant, or a combined shipment of 8.81 million WMT.

The Rio Tuba mine accounted for 26% of total shipments, which consisted of 1.45 million WMT of saprolite ore and 3.43 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 4.88 million WMT. The comparable figures for 2018 were 2.20 million WMT and 3.55 million WMT or a total of 5.75 million WMT.

Shipments from the Group's Hinatuan mine was 2.02 million WMT in 2019 compared to 2.15 million WMT in 2018. On the other hand, the Cagdianao mine shipped 2.78 million WMT in 2019 versus 2.64 million WMT in 2018.

The realized Peso/US\$ exchange rate for ore sales was ₱51.72 in 2019 compared to ₱53.00 in 2018.

#### *Sale of Limestone*

Rio Tuba's revenue from sale of limestone slightly went down to ₱414.2 million in 2019 from ₱447.3 million in 2018.

#### *Sale of Quarry Materials*

In October 2019, TMC and THNC entered into a Materials Supply Agreement wherein THNC agrees to purchase and take delivery from TMC an aggregate of 1,000,000 compacted cubic meters of suitable and unsuitable construction materials for THNC's expansion of its tailing storage facility, thus revenues from quarry materials were earned.

#### *Services and Others (excluding sale of quarry materials)*

The Group's revenue from services and others improved by 9% to ₱681.7 million in 2019 from ₱627.7 million in 2018.

#### *Sale of Power*

Sale of power jumped by 41% to ₱392.3 million from ₱278.4 million on account of the diesel power plant of NAC in Surigao operating at full capacity of 10MW by end of 2019 compared to 3-6MW capacity in 2018. This also includes the CRF billed by the diesel power plant to SURNECO which amounted to ₱111.9 million in 2019 as against ₱22.4 million in 2018 mainly because the plant was operating at full capacity in 2019 compared to 2018.

#### Costs

The Group's costs went up by 5% or ₱365.4 million, from ₱7,449.8 million to ₱7,815.2 million.

#### *Cost of Sales*

The Group's cost of sales increased by 5% to ₱7,105.9 million in 2019 compared to ₱6,771.0 million in 2018 due to higher production volume and cost per WMT during 2019. There was also a change in sales mix such as the shipments of saprolite ore in China, which have relatively high cost, was higher in 2019 compared to 2018. In addition, cost pertaining to the sale of quarry materials were incurred in 2019.

#### *Cost of Power Generation*

Cost of power generation climbed by 5% to ₱377.5 million from ₱360.6 million mainly on account of the diesel power plant operating at full capacity in 2019.

#### *Cost of Services*

Cost of services grew by 4% to ₱331.8 million from ₱318.3 million. The increase in cost of services was attributable mainly to the increase in materials handled by RTN for CBNC.

#### Operating Expenses

The Group's operating expenses amounted to ₱4,867.4 million in 2019 compared to ₱5,106.8 million in 2018, a decrease of ₱239.4 million, or 5%.

#### *Excise Taxes and Royalties*

NAC's excise taxes and royalties in 2019 was lower by 1% to ₱1,787.3 million from ₱1,804.0 million because of lower volume and value of shipments in 2019.

### *Shipping and Loading Costs*

Shipping and loading costs dropped by 9% because of lower net demurrage incurred in 2019, which amounted to ₱23.1 million only compared to ₱40.9 million in 2018, lower shipment volume, decrease in other services and fees incurred and longer chartering period in 2018 compared to 2019.

### *General and Administrative*

General and administrative expenses slid by 5% from ₱1,213.0 million to ₱1,156.0 million in 2019 mainly due to decrease in representation expenses by ₱23.7 million and adoption of PFRS 16 wherein, instead of recognizing a rent expense, a right-of-use (ROU) assets for leases that falls within the definition of the standard was recognized in the statement of financial position.

### *Marketing*

Marketing costs went up by 12% from ₱140.2 million to ₱157.0 million in 2019 driven mainly by the increase in the commission paid by CMC to its claim owner.

### *Finance Income*

The Group's finance income went up by 14% to ₱405.6 million in 2019 from ₱354.8 million in 2018 which arose mainly from higher interest income from short-term cash placements.

### *Finance Expenses*

The Group's finance expenses also rose by 40% to ₱343.7 million from ₱245.6 million due to higher interest rate repricing for bank loans.

### *Equity in Net Income of Associates*

The drop in the Company's equity share in net income from the two (2) plants from ₱348.2 million to ₱10.4 million is mainly attributable to the decline in the average realized price of cobalt, which fell from \$37.35 per pound in 2018 to \$16.57 per pound in 2019.

### *Other Income (Charges) - Net*

NAC's other income - net went up by 178% to ₱168.8 million income from ₱217.0 million charges due to the impact of a steady appreciation of the peso vis-à-vis the US\$ which resulted to a net foreign exchange loss of ₱263.7 million in 2019, a turnaround from a gain of ₱362.8 million in 2018. However, the decline in 2019 was partially offset by the recognized gains on fair value changes of financial assets amounting to ₱347.7 million, as a result of improved market condition, compared to ₱143.7 million loss in 2018. Moreover, in 2018, the Group prudently set aside ₱514.9 million provision for impairment losses for the uncollected advances made by JSI to the contractor for the construction of its solar power facility in Subic Bay Freeport Zone.

### *Provision for Income Tax - Net*

The Group's net provision for income tax was lower by 21% due to lower taxable income base.

### *Net Income*

As a result of the foregoing, NAC's consolidated net income was ₱3,826.4 million in 2019 compared to ₱4,222.9 million in 2018. Net of non-controlling interests, our net income was ₱2,685.0 million in 2019, lower by 11% compared to ₱3,008.1 million in 2018.

## **FINANCIAL POSITION**

### **Calendar year as at December 31, 2021 and 2020**

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

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

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

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

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

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

#### **Calendar year as at December 31, 2020 and 2019**

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

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

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

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

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

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

#### **Calendar year as at December 31, 2019 and 2018**

As at December 31, 2019, NAC's total assets slightly climbed to ₱48,262.0 million from ₱46,032.5 million as of the end of 2018.

Current assets slightly went up to ₱22,023.3 million from ₱20,980.7 million. Cash and cash equivalents as of yearend 2019 was higher than 2018 since there were no special cash dividends declared and paid in 2019.

Noncurrent assets improved by 5% from ₱25,051.8 million to ₱26,238.7 million due to the following:

1) adoption of PFRS 16 wherein, instead of recognizing an expense, a ROU assets were recognized for leases that falls within the definition of the standard. Total ROU assets that were capitalized in 2019 amounted to ₱637.0 million; 2) adjustments in the capitalized cost of mine rehabilitation and decommissioning amounting to ₱204.8 million; and 3) increase in the market value of the investments in Keyland Ayala Properties, Inc. of ₱204.9 million.

Current liabilities rose by 1% to ₱9,920.5 million from ₱9,866.1 million due to the ₱141.6 million increase in income tax payable.

Noncurrent liabilities rose by 18% to ₱3,210.2 million from ₱2,715.6 million due to the adjustments in the capitalized cost of mine rehabilitation and decommissioning by ₱204.8 million and recognition of noncurrent portion of lease liabilities, as a result of PFRS 16 adoption, amounting to ₱581.5 million. However, the increase was partially offset by JSI's full payment of its ₱300.0 million long-term bank loan.

NAC's equity net of non-controlling interests as at December 31, 2019 slightly improved by 6% to ₱31,370.0 million due to continued profitable operations net of cash dividends paid.

## **CASH FLOWS**

### **Calendar years ended December 31, 2021, 2020 and 2019**

Net cash flows from operating activities in 2021 amounted to ₱9,676.4 million compared to ₱8,777.8 million in 2020 and ₱5,833.4 million in 2019. Proceeds from sale of ore in 2021 and 2020 were higher than 2019 because of higher ore sales prices in the two (2) most recent years.

Net cash used in investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets pertaining to debt and equity securities. In 2021, 2020 and 2019, the Parent Company's net acquisitions of debt and equity securities amounted to ₱986.7 million, ₱813.2 million and ₱103.8 million, respectively, and the net acquisitions of property and equipment were ₱1,758.3 million ₱2,130.6 million and ₱1,250.5 million, respectively. Moreover, in 2019, the Group issued loans amounting to ₱543.8 million. Due to these, cash flows used in investing activities amounted to ₱2,819.4 million in 2021, ₱2,858.2 million in 2020 and ₱1,573.1 million in 2019.

Cash used in financing activities were spent mainly for payments of cash dividends, short-term and long-term debts plus the related interest which amounted to a total of ₱9,526.1 million, ₱7,431.3 million and ₱4,214.6 million in 2021, 2020 and 2019, respectively. In 2021 and 2020, special cash dividends were declared and paid while there was none in 2019, thus higher financing costs were incurred in the two (2) most recent years.

As at December 31, 2021, 2020 and 2019, cash and cash equivalents amounted to ₱10,826.8 million, ₱11,835.2 million and ₱11,943.1 million, respectively.

## **TOP FIVE KEY PERFORMANCE INDICATORS**

### **1) SALES VOLUME**

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

#### **Type and Grade of Ore that NAC Mines**

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



basis. The quantity of limonite ore that it mines on an annual basis depends on the amount of such ore that needs to be removed in order to extract the saprolite ore, as well as market demand.

In 2021 and 2020, NAC sold an aggregate of 17.94 million WMT and 18.20 million WMT, respectively.

**2) TOTAL COST PER VOLUME SOLD**

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

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

The average total cost per volume sold in 2021 is ₱749.37 per WMT on the basis of aggregate costs of ₱13,440.2 million and a total sales volume of 17.94 million WMT of ore. This compares to ₱690.79 per WMT in 2020 on the basis of aggregate costs of ₱12,574.9 million and a total sales volume of 18.20 million WMT of ore.

**3) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱7,812.6 million in 2021 compared to ₱4,068.7 million in 2020.

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

NAC adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. In 2018, the DENR, through the issuance of DAO 2018-19, prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines and provides limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. The DAO also requires that temporary revegetation be immediately implemented on the disturbed areas. All NAC operating companies are well within the norm of the DENR which is 26 hectares per million WMT sold. In 2021 and 2020, the open hectares per million WMT sold was 14.01 and 15.59, respectively.

**5) FREQUENCY RATE**

Health and safety are integral parts of the Group's personnel policies. Its comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to its operations. The Group measures its safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2021 and 2020, NAC's frequency rate is nil and 0.05, respectively.

**OFF-BALANCE SHEET ARRANGEMENTS**

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company, solidarily with EPI, guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC (see Note 15 to the Consolidated Financial Statements).

On August 2, 2021, JSI entered into an Omnibus Loan and Security Agreement to document the syndicated loan with two (2) banks as lenders, i.e., SBC and International and Commercial Bank of China, with the Parent Company forming part of the Share Collateral Security Grantors and Sponsors together with EPI and TBEA International Engineering Co., Ltd. (TBEA) (see Note 40a to the Consolidated Financial Statements).

Other than the Agreements mentioned above, the Parent Company has not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

## Item 7. FINANCIAL STATEMENTS

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

## Item 8. INFORMATION ON INDEPENDENT ACCOUNTANTS AND OTHER RELATED MATTERS

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

Mr. Jaime F. del Rosario is the Company's current audit partner. NAC has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

### Audit and Audit-Related Fees

For the years 2021, 2020 and 2019, SGV & Co. was engaged primarily to express an opinion on the financial statements of the Parent Company and its subsidiaries.

### Non-Audit Services Fees

Non-audit services fees pertain to fees paid to SGV & Co. for the tax advisory, transfer pricing study and seminar fees.

The following table sets out the aggregate fees incurred in 2021 and 2020 for professional services rendered by SGV & Co.:

	2021	2020
	<i>(In Thousands)</i>	
Audit and Audit-Related Services	₱16,702	₱15,817
Non-Audit Services	2,226	2,685
Total	₱18,928	₱18,502

### Audit Committee's Approval of Policies and Procedures

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

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

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

#### DIRECTORS

The following are the present directors of the Company:

Name	Age	Citizenship	Position	Date First Elected	Date Last Elected	No. of Years served as Director
Gerard H. Brimo	70	Philippine National	Executive Director, Chairman of the Board of Directors	August 1, 2009	June 4, 2021	12 years and 5 months
Philip T. Ang	80	Philippine National	Executive Director and Vice Chairman	July 11, 2008	June 4, 2021	13 years and 5 months
Martin Antonio G. Zamora	49	Philippine National	Executive Director, President and Chief Executive Officer (CEO)	June 16, 2010	June 4, 2021	8 years and 6 months
Jaime J. Bautista	65	Philippine National	Lead Independent Director	June 4, 2021	June 4, 2021	7 months
Masahiro Kamiya	62	Japanese National	Non-Executive Director	August 7, 2018	June 4, 2021	3 years and 5 months
Yusuke Niwa	54	Japanese National	Non-Executive Director	August 5, 2021	August 5, 2021	5 months
Maria Patricia Z. Riingen	56	Philippine National	Non-Executive Director	May 20, 2019	June 4, 2021	2 years and 7 months
Angelo Raymundo Q. Valencia	54	Philippine National	Independent Director	May 8, 2020	June 4, 2021	1 year and 7 months
Luis J. L. Virata	68	Philippine National	Non-Executive Director	July 11, 2008	June 4, 2021	13 years and 5 months

Mr. Philip T. Ang is a majority shareholder of Ni Capital Corporation.

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

**GERARD H. BRIMO** is the Chairman of the BOD of the Company since August 7, 2018. He is a member of the Corporate Governance Committee of the Company. He is also the Chairman of all of the Company’s mining subsidiaries and an Independent Director of SBC and Commonwealth Foods, Inc. Prior to his career in mining, he worked for Citibank for eight (8) years, and was a Vice President in the bank’s Capital Markets Group in Hong Kong prior to joining Philex Mining Corporation as Vice President - Finance. Mr. Brimo served as Chairman and CEO of Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995 to 2003 and from 2017 to 2021. He received his Bachelor of Science degree in

Business Administration from Manhattan College, USA and his Master of Business Management degree from the Asian Institute of Management.

**PHILIP T. ANG** is the Vice Chairman of the Company. He is the Vice Chairman of RTN and TMC and a Director of CMC, HMC, DMC, CExCI, Newminco, CDTN, and EPI. He was previously involved in the textile business as Chairman and President of Solid Mills, Inc. and Unisol Industries and Manufacturing Corp., and as a Director of Investors Assurance Corp. and International Garments Corp. He received his Bachelor of Science in Business Administration degree from Oregon State University and his Master of Business Administration (MBA) degree from the University of Denver, USA.

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

**JAIME J. BAUTISTA** was first elected as an Independent Director of the Company on June 4, 2021. He is the Lead Independent Director, Chairman of Audit Committee and a member of the Board Risk Oversight, Corporate Governance, and Related Party Transactions Committees. He started his career as Staff Auditor of SGV & Co., before he joined the Lucio Tan Group (LTG) of Companies in 1980 occupying various management positions in the group. In 1993, the LTG became the majority shareholder of Philippine Airlines (PAL) and Mr. Bautista was appointed as Vice President - Comptroller in 1993 and was promoted to Senior Vice President and Chief Finance Officer of PAL in 1994, Executive Vice President in 1998 and President in 2004. He occupied the position of President until he retired in 2012. Mr. Bautista remained as consultant and adviser of various LTG companies. In 2014, he was appointed again as President of PAL until his second retirement on June 30, 2019. Mr. Bautista used to be a member of the board of various companies in the LTG, namely Macroasia Corp., Macroasia Airport Services Corp., Macroasia Catering Services Corp., Macroasia Properties Development Corporation, Eton Properties Development Corp., PNB Forex, Inc., Air Philippines, Inc., Asian Alcohol Corp. and other various holding companies of the Group. At present, he is the Vice Chairman of the Board of Trustees of the Philippine Eagle Foundation, Inc., member of the Board of Trustees of the University of the East, member of the Board of Trustees of UE Ramon Magsaysay Medical Memorial Center, member of the Board of Trustees of International School of Sustainable Tourism, member of the Board of Directors of Air Speed International Inc., Alphaland Corp., Gothong Southern Shipping, Inc., Cosco Capital, Inc. (Puregold and S&R), and Philippine Bank of Communications. He is an active member of the Financial Executives of the Philippines and the Rotary Club of Makati West. He is also the President of SKAL Makati International, a Philippine, regional and international tourism organization. Mr. Bautista is a recipient of several management and tourism awards by various Philippine and International Organizations. Mr. Bautista graduated from Colegio de San Juan de Letran, Magna Cum Laude in 1977 with a decree of Bachelor of Science in Commerce. He is a Certified Public Accountant. He was also conferred Doctor of Philosophy in Humanities (Honoris Causa) by the Central Luzon State University on August 8, 2018.

**MASAHIRO KAMIYA** was first elected as a Director of the Company on August 7, 2018. He is the Chairman of the Related Party Transactions Committee and is a member of the Audit and Nominations Committees of the Board of Directors. Mr. Kamiya is the President of SMMPHC, CBNC and THNC. He was an Executive Officer and the Senior Deputy General Manager of Non-Ferrous Metals Division of SMM from June 2017 until May 16, 2019. Mr. Kamiya has held various positions within the SMM Group since he joined the same in April 1982. He was the President and Representative Director of Hyuga Smelting Co. Ltd., a subsidiary of SMM, from April 2016 until May 2019, and was also the General Manager of the Administration Department of the Taganito Project Division from September 2010 until March 2016. Prior thereto, he was the Executive Vice President of CBNC from February 2007 to August 2010, and was the Manager of the Ferro Nickel Section, Nickel Sales & Raw Materials Department of SMM from January 2002 to January 2007. He was also the General Manager of Sumitomo Metal Mining Oceania Pty. Ltd. From

April 1998 to December 2001. Mr. Kamiya obtained his Bachelor of Arts in Political Science and Economics from Waseda University in Tokyo, Japan.

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

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

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

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

**LUIS J. L. VIRATA** is a Director of the Company. He is the founder and Chairman of Amber Kinetics Philippines, Inc. He is also Chairman Emeritus of Exchange Equity Partners Group Corporation, Chairman of Cavite Holdings, Inc., Vice President of Exchange Properties Resources Corp., and a Director of Benguet Corporation. He is also a Founder and Trustee of Asia Society Philippine Foundation and the Metropolitan Museum of Manila and is a member of the Huntsman Foundation. Mr. Virata previously held positions with Dillon, Read and Co., Crocker National Bank, Bankers Trust Company, Philippine Airlines, NSC Properties, Inc., the Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp. He received his Bachelor of Arts and Master of Arts degrees in Economics from Trinity College, Cambridge University and his Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

### **EXECUTIVE OFFICERS**

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

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position as of December 31, 2021</b>	<b>Position as of March 10, 2022</b>
Aloysius C. Diaz	73	Philippine National	Senior Vice President - Production	N/A
Georgina Carolina Y. Martinez	55	Philippine National	Senior Vice President - Compliance and Corporate Support Services; Chief Compliance Officer; Chief Governance Officer; Assistant Corporate Secretary	Senior Vice President - Compliance and Corporate Support Services; Chief Compliance Officer; Chief Governance Officer; Assistant Corporate Secretary
Maria Angela G. Villamor	56	Philippine National	Senior Vice President - Finance and Revenue Management Group; Chief Financial Officer	Senior Vice President - Finance and Revenue Management Group; Chief Financial Officer
Jose Bayani D. Baylon	59	Philippine National	Vice President - Corporate Communications; Officer-in-Charge of Public and Social Affairs Group	Vice President - Public and Social Affairs Group
Rolando R. Cruz	61	Philippine National	Vice President - Research and Technology, Innovations and Corporate Special Projects; Officer-in-Charge of Strategic Development and Growth Group	Vice President - Corporate Planning and Revenue Assurance
Rommel L. Cruz	58	Philippine National	Vice President and Head of Operations of Dinapigue Mining Corporation, Hinatuan Mining Corporation - Manicani Nickel Project, and CDTN Services Company Inc.	Vice President - Mine Strategic Planning and Officer-in-Charge, Vice President - Revenue Generation
Christopher C. Fernandez	58	Philippine National	Vice President - Information and Communications Technology	Vice President - Information and Communications Technology
Koichi Ishihara	48	Japanese National	Vice President - Sales, and Purchasing and Supply Chain Management	Vice President - Mine Services Group
Maria Fatima C. Mijares	54	Philippine National	N/A	Vice President - Human Resources
Gerardo Ignacio B. Ongkingco	63	Philippine National	Vice President - Human Resources Data Protection Officer	Vice President - NAC Development Center
Romeo T. Tanalgo	60	Philippine National	Vice President - Security and Administrative Services; Chief Risk Officer; Officer-in-Charge of Risk and Assurance Group	Vice President - Security and Administrative Services; Chief Risk Officer; Officer-in-Charge of Risk and Assurance Group
Bimbo T. Almonte	40	Philippine National	N/A	Assistant Vice President - Occupational Health
Salvador C. Cabauatan	57	Philippine National	N/A	Assistant Vice President - General Administrative Services

Name	Age	Citizenship	Position as of December 31, 2021	Position as of March 10, 2022
Remedios C. Camo	36	Philippine National	N/A	Assistant Vice President - Industrial Safety and Officer-in-Charge, Assistant Vice President - Environment
Jeffrey B. Escoto	46	Philippine National	Assistant Vice President - Technical Services	Assistant Vice President Technical Services, Mine Services
Patrick S. Garcia	48	Philippine National	Assistant Vice President - Internal Audit; Chief Audit Executive	Assistant Vice President - Internal Audit; Chief Audit Executive
Rodrigo G. Gazmin, Jr.	61	Philippine National	Assistant Vice President - Purchasing and Supply Chain Management	Assistant Vice President - Material Management, Mine Services
Marnelle A. Jalandoon	51	Philippine National	Assistant Vice President - Business Applications	Assistant Vice President - Business Applications
Ryan Rene C. Jornada	43	Philippine National	Assistant Vice President - Public Affairs	Assistant Vice President - Public and Social Affairs Sector
Arnilo C. Milaor	62	Philippine National	N/A	Officer-in-Charge - Mine Production
Christine Joanne C. Navarro	41	Philippine National	N/A	Assistant Vice President - Legal and Data Protection Officer
Iryan Jean U. Padillo	40	Philippine National	Assistant Vice President - Accounting and Finance Reporting Sector	Officer-in-Charge, Assistant Vice President - Accounting and Financial Reporting Center
Teody A. Pascual	57	Philippine National	N/A	Assistant Vice President - Service Management
Jessie A. Payuyo	46	Philippine National	N/A	Assistant Vice President - Accounting and Financial Reporting
Kristine Grace C. Victoria	34	Philippine National	N/A	Assistant Vice President - Geologic Management
Barbara Anne C. Migallos	66	Philippine National	Corporate Secretary	Corporate Secretary

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

**ALOYSIUS C. DIAZ** was the Senior Vice President for Production from April 1, 2021 until his retirement on January 31, 2022. He was Vice President and Head of Production Operations of the Taganito and Cagdianao mines of the Company until March 31, 2021. Engr. Diaz is a Licensed Mining Engineer and Geologist with over 45 years' experience in surface mining and exploration, six (6) years of which were spent in a surface copper mine in Africa and coal mines in Indonesia. He started working with TMC as Resident Mine Manager in 2015. Prior to joining TMC, he worked as Project Director of a gold mining company charged with the rehabilitation of an old underground gold mine. He was a Chief Operating Officer of a large mining contractor with a nickel mining operation in Northern Mindanao. He is a Competent Person for Open Pit Copper and Coal. He is the President of the CARAGA Chamber of Mines. Mr. Diaz received his Bachelor of Science in Mining Engineering and Bachelor of Science in Geology degrees from Adamson University.

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

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

**JOSE BAYANI D. BAYLON** is the Vice President - Public and Social Affairs Group. He is the President of RTN Foundation, Inc. and NAC Foundation, Inc. He is also a Director of EPI, JSI, MGPC, BHI and NPPGC. Mr. Baylon has over two (2) decades of experience in the field of corporate communications and public affairs. Before joining NAC, he was Vice President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for nine (9) years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001-2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001. Mr. Baylon obtained his Bachelor of Arts in Political Science degree from the University of the Philippines.

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

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



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

**KOICHI ISHIHARA**, is the Vice President - Mine Services Group effective March 10, 2022. He was the Vice President, Head of the Sales Sector and the Supply Chain and Management Sector from January 1, 2021 until March 9, 2022. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of PAMCO, handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant. Mr. Ishihara received his Bachelor's Degree in English Language from Kanda University of International Studies, Japan.

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

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

**ROMEO T. TANALGO**, Vice President, Officer-in-Charge of the Risk and Assurance Group, and the Head of the Security, Administrative Services, and the Risk Management Sectors of the Company. He is also the Chief Risk Officer. He was the consultant of the Company for security matters from May 1, 2019 until his appointment as Vice President on August 6, 2019. He was the Chief of the Armed Forces of the Philippines (AFP) North Luzon Command from March 10, 2016 until his retirement in September 4, 2017. Prior thereto, he was appointed as AFP Vice Chief of Staff on October 20, 2015. He also served as Commandant, Philippine Marine Corps from April 2013 to December 2015. Gen. Tanalgo is a member of the Philippine Military Academy "Matikas" Class of 1983 and obtained his Masters degree in Development Management from the Asian Institute of Management and his Masters degree in Maritime Studies from the University of Wollongong in Australia.

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

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

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

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

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

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

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

**RYAN RENE C. JORNADA** is the Assistant Vice President - Public and Social Affairs Sector. Before assuming this expanded role effective March 10, 2022, he was head of the Public Affairs Sector. His previous roles in the Company include Head of Government Relations and Head of Regulatory and Claims Management. Prior to joining the Company in 2011, he was an associate in the law firm of Belo Gozon Elma Parel

Asuncion and Lucila and was an Election Assistant for the Commission on Elections and Political Affairs Officer of the Congressional Representative of the 2<sup>nd</sup> District of Iloilo. A member of the Philippine Bar, Mr. Jornada obtained his Bachelor of Laws degree from the University of Santo Tomas.

**ARNILO C. MILAOR**, Officer-in-Charge - Mine Production, was previously the Assistant Vice President and Resident Mine Manager of CMC for almost six (6) years, and Resident Mine Manager of HMC for one (1) year before being assigned to CMC. He worked at the MGB for almost twenty eight (28) years and was Division Chief of MGB's Mining Environment and Safety Division before becoming Resident Mine Manager of HMC. He was also appointed by the DENR Secretary during his MGB years as Chairman of the Provincial Mining Regulatory Board of Romblon Province. Engr. Milaor obtained his Bachelor of Science in Mining Engineering from Mapua Institute of Technology.

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

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

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

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

**KRISTINE GRACE C. VICTORIA**, Assistant Vice President - Geologic Management, was the Resource Geology Manager of the Company prior to her promotion. She also served as a Resource Geologist in HMC. Prior thereto, she was employed as the Exploration Geologist of FSMRC/Consolidated Mines Inc. She is a licensed Geologist and placed 8th in Geology Licensure Examination. She is the youngest Competent Person in the Philippines to be accredited by Philippine Mineral Reporting Code Committee and Geological Society of the Philippines for Exploration and Mineral Reporting of Nickel Laterites. She obtained her Bachelor of Science in Geology, Cum Laude, from University of the Philippines and Management Development Program from Asian Institute of Management.

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

No director or senior officer of the Company is or has been in the past two (2) years, a former employee or partner of the current external auditor.

Also, the Company discloses the transactions of its directors and officers as required by applicable laws and regulations.

**B. SIGNIFICANT EMPLOYEES/EXECUTIVE OFFICERS**

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

**C. FAMILY RELATIONSHIP**

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

**D. INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

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

## Item 10. EXECUTIVE COMPENSATION AND STOCK OPTION PLAN

The table set out below identifies the Corporation's CEO and four (4) most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2020 and 2021 and their estimated compensation for 2022. The amounts set forth in the table have been prepared based on what the Company paid for the compensation of its executive officers for the years indicated and what we expect to pay on the ensuing year.

	December 31, 2020 <sup>1</sup>			December 31, 2021 <sup>2</sup>			December 31, 2022 <sup>3</sup> (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
(In Php Thousands)									
Named executive officers	₱81,672	₱36,021	₱117,693	₱42,383	₱53,915	₱96,298	₱48,378	₱32,822	₱81,200
All other officers and directors as a group unnamed	52,444	29,581	82,025	58,158	40,472	98,630	54,680	23,043	77,723

<sup>1</sup> The named executive officers for the year 2020 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Emmanuel L. Samson (Chief Financial Officer), Jose B. Anievas (Chief Operating Officer), and Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Services).

<sup>2</sup> The named executive officers for the year 2021 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Jose B. Anievas (Chief Operating Officer), Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Support Services) and Rolando R. Cruz (Vice President for Research and Technology, Innovations and Corporate Special Projects).

<sup>3</sup> The named executive officers for the year 2022 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Support Services), Maria Angela G. Villamor (Chief Financial Officer), and Rolando R. Cruz (Vice President - Corporate Planning and Revenue Assurance).

### COMPENSATION OF DIRECTORS

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

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

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

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

### STOCK OPTION PLANS

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

first vesting occurring one (1) year after the grant. The optionee can exercise the vested option by giving notice to the Parent Company within the term of the Plan, and can opt to either purchase the shares directly at the exercise price or request the Parent Company to advance the purchase price and to sell the shares, in which case the participant will receive the sales proceeds less the exercise price.

The cost of share-based payment plan in 2021, 2020 and 2019 amounted to ₱31.9 million, ₱71.1 million and ₱130.5 million, respectively.

As at March 10, 2022, the Parent Company is still waiting for SEC's approval of the exemption from registration of 123,976,792 common shares, which shall form part of the ESOP.

## Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### A. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

The following table sets forth the record owners and, to the best knowledge of the BOD and Management of the Company, the beneficial owners of more than 5% or more of the Company's outstanding common share as at December 31, 2021:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	PCD Nominee Corporation (Filipino)		Filipino	7,333,301,832	53.80%
Common Stock	Mantra Resources Corporation 30th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig		Filipino	0 - Direct 3,545,743,602 - Indirect	26.01%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City	Sumitomo Metal Mining Co., Ltd.	Foreign	2,600,384,267 - Direct 1,014,013,620 - Indirect	26.52%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	2,441,837,319	17.91%
Common Stock	Ni Capital Corporation 28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig	Philip T. Ang - Vice Chairman	Filipino	0 - Direct 1,830,296,491 - Indirect	13.43%
Common Stock	Nonillion Holding Corporation 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City		Filipino	1,186,000,000 - Direct	8.70%

## B. SECURITY OWNERSHIP OF MANAGEMENT

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Gerard H. Brimo	26,641,344 - Direct 718,665 - Indirect	Filipino	0.21%
Common Stock	Philip T. Ang	100 - Direct 3,174,667 - Indirect	Filipino	0.02%
Common Stock	Luis J. L. Virata	1 - Direct	Filipino	0.00%
Common Stock	Martin Antonio G. Zamora	540 - Direct 5,515,671 - Indirect	Filipino	0.04%
Common Stock	Angelo Raymundo Q. Valencia	10,000 - Direct 5,000 - Indirect	Filipino	0.00%
Common Stock	Yusuke Niwa	2,023 - Direct	Japanese	0.00%
Common Stock	Masahiro Kamiya	2,023 - Direct	Japanese	0.00%
Common Stock	Jaime J. Bautista	2,000 - Direct	Filipino	0.00%
Common Stock	Maria Patricia Z. Riingen	1,000 - Direct 910,800 - Indirect	Filipino	0.01%
Common Stock	Georgina Carolina Y. Martinez	7,000 - Indirect	Filipino	0.00%
Common Stock	Jose Bayani D. Baylon	200 - Indirect	Filipino	0.00%
Common Stock	Rolando R. Cruz	1,106,914 - Direct 594,000 - Indirect	Filipino	0.01%
Common Stock	Rommel L. Cruz	-	Filipino	0.00%
Common Stock	Aloysius C. Diaz	108,000 - Indirect	Filipino	0.00%
Common Stock	Koichi Ishihara	-	Japanese	0.00%
Common Stock	Gerardo Ignacio B. Ongkingco	-	Filipino	0.00%
Common Stock	Maria Angela G. Villamor	972,554 - Indirect	Filipino	0.01%
Common Stock	Romeo T. Tanalgo	-	Filipino	0.00%
Common Stock	Jeffrey B. Escoto	-	Filipino	0.00%
Common Stock	Patrick S. Garcia	34,333 - Indirect	Filipino	0.00%
Common Stock	Marnelle A. Jalandon	-	Filipino	0.00%
Common Stock	Ryan Rene C. Jornada	259,600 - Indirect	Filipino	0.00%
Common Stock	Iryan Jean U. Padillo	4,500 - Indirect	Filipino	0.00%
Common Stock	Christopher C. Fernandez	-	Filipino	0.00%
Common Stock	Rodrigo G. Gazmin, Jr.	-	Filipino	0.00%
Common Stock	Barbara Anne C. Migallos	-	Filipino	0.00%

## C. VOTING TRUST HOLDERS OF 5% OR MORE

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

## D. CHANGES IN CONTROL

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

## Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

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

### Nickel Ore Sale Agreements with PAMCO

The Group supplies saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company, RTN and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME. Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per WMT of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

### Nickel Ore Sale Agreement with PAMCO and Sojitz

RTN supplies saprolite ore to PAMCO, wherein PAMCO appointed Sojitz as agent under a sale agreement, which shall be valid and in effect until December 2020. By the end of the third (3rd) year, RTN and PAMCO shall jointly assess whether the commercial production of ore at the mine is still possible. Unless the commercial production becomes impossible due to the exhaustion of ore reserves in the mine, RTN, PAMCO and Sojitz shall renew the agreement with five (5) years term, or from January 1, 2019 to December 31, 2023. PAMCO owns 36% and Sojitz owns 4% of the outstanding shares in the capital stock of RTN.

### Nickel Ore Supply Agreement with Big Wave Resources Co., Limited (Big Wave)

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

### Nickel Ore Supply Agreement with Mitsubishi Corporation RTM International Pte., Ltd. and Mitsubishi Corporation RTM Japan Ltd. (Mitsubishi)

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

### Nickel Ore Sale Agreement with SMM

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

### Nickel Ore Supply Agreement with CBNC

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

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



#### Nickel Ore Supply Agreement with THNC

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

#### Service Agreements with CBNC

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

#### Materials Handling Agreement with THNC

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

#### Materials Supply Agreement with THNC

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

#### Funding Commitment with THNC

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

#### THNC Stockholder's Agreement

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

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

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

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

#### Throughput Agreement with THNC

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

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

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

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

#### Memorandum of Understanding

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

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

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

The THNC Stockholders' Agreement also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US\$1,420.0 million, which further increased to US\$1,590.0 million, project investment undertaken by THNC.

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

The THNC Agreement shall terminate upon the dissolution of THNC.

#### Loan Guarantee/Substitution Agreement

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company in extending loans or guaranteeing the repayment of THNC pursuant to the THNC Stockholders' Agreement.

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

On January 26, 2015, December 18 and December 3, 2013, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreements made and

entered by THNC and SMM on August 4, 2014, December 3 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

On October 8, 2020, the Parent Company and SMM agreed to amend the loan guarantee/substitution agreement to reduce the annual fee to 0.60% of the average unpaid balance for payment's due every 21st of February, March, August and September of each year. However, in consideration of the MUFG Bank Ltd. (formerly known as The Bank of Tokyo - Mitsubishi UFJ, Ltd.) substitution, the annual fee is 1% for any payments due before September 21, 2020, which is the effective date of the amendment, and 0.60% for any payments due thereafter.

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

#### Loan Agreements

##### *THNC*

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

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

##### *TBEA*

In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US\$2.2 million to be used for the Phase 3A - 30MW solar project. The interest on the loan of 5% p.a. and the principal amount are payable on June 17, 2025, the maturity date of the loan.

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

#### Lease Agreements

##### *THNC*

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

##### *Manta*

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties.

The lease agreement expired in May 2018 and was renewed for another period of five (5) years or until May 2023. Moreover, additional parking and office spaces were leased from Manta which were covered by separate lease agreements.

Notes 15, 34 and 40 of the Notes to Consolidated Financial Statements of the Exhibits in Part IV is incorporated hereto by reference.

## PART IV – EXHIBITS AND SCHEDULES

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

#### Exhibits

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

#### Reports on SEC Form 17-C

The Parent Company filed the following reports on SEC Form 17-C during the year 2021.

Items Reported	Date Reported
Amend: Results of Organizational Meeting of the BOD held on July 21, 2020	January 18, 2021
Disclosure due to penalties imposed by the BIR on CDTN Services Company Inc., a wholly-owned subsidiary of Nickel Asia Corporation for late payment of documentary stamp taxes	January 18, 2021
Nickel Asia Corporation announces 2020 Financial and Operating Results	March 11, 2021
Resignation, appointment and change in the designation of NIKL Officers	March 11, 2021
Notice of Annual Stockholders Meeting	March 11, 2021
Declaration of regular cash dividends at Php0.09 per common share to stockholders of record as of March 25, 2021; payable on April 8, 2021	March 11, 2021
Declaration of special cash dividends at Php0.14 per common share to stockholders of record as of March 25, 2021; payable on April 8, 2021	March 11, 2021
Amend: Declaration of regular cash dividends at Php0.09 per common share to stockholders of record as of March 25, 2021; payable on April 8, 2021	March 12, 2021
Amend: Declaration of special cash dividends at Php0.14 per common share to stockholders of record as of March 25, 2021; payable on April 8, 2021	March 12, 2021
Nickel Asia Corporation announces Financial and Operating Results for the Three-Month Period Ended March 31, 2021	May 6, 2021
Amend: Notice of Annual Stockholders Meeting	May 12, 2021
Results of the 2021 Annual Stockholders' Meeting	June 4, 2021
Results of Organizational Meeting of the Board of Directors held on June 4, 2021, immediately after the Annual Stockholders' Meeting	June 4, 2021
Amend: Results of the 2021 Annual Stockholders' Meeting	June 4, 2021
Nickel Asia Corporation Board approvals relating to syndicated loan to be obtained by Jobin-SQM, Inc.	July 7, 2021
Amend: Nickel Asia Corporation Board approvals relating to syndicated loan to be obtained by Jobin-SQM, Inc.	July 8, 2021
Disclosure due to penalties imposed by the Philippine Ports Authority on Cagdianao Mining Corporation, a wholly owned subsidiary of Nickel Asia Corporation	July 13, 2021
Amend: Disclosure due to penalties imposed by the Philippine Ports Authority on Cagdianao Mining Corporation, a wholly owned subsidiary of Nickel Asia Corporation	July 14, 2021
Execution by Nickel Asia Corporation subsidiary Jobin-SQM Inc. of syndicated loan agreement	August 4, 2021
Nickel Asia Corporation announces Financial and Operating Results for the Six-Month Period Ended June 30, 2021	August 5, 2021
Resignation and appointment of NIKL Directors	August 5, 2021
Demise of officer	September 23, 2021
Retirement of officer	October 4, 2021


<b>Items Reported</b>	<b>Date Reported</b>
Nickel Asia Corporation announces Financial and Operating Results for the Nine-Month Period Ended September 30, 2021	November 4, 2021
Declaration of special cash dividends at Php0.22 per common share to stockholders of record as of November 18, 2021; payable on December 2, 2021	November 4, 2021
Adoption of New Company Vision and Establishment of NAC Foundation	November 4, 2021
Amend: Declaration of special cash dividends at Php0.22 per common share to stockholders of record as of November 18, 2021; payable on December 2, 2021	November 12, 2021
Penalties imposed by the Philippine Ports Authority on Rio Tuba Nickel Mining Corporation, a subsidiary of Nickel Asia Corporation	November 17, 2021
Resignation of officer	December 29, 2021


**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Taguig on APR 07 2022, 2022.

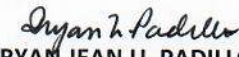
By:

  
**MARTIN ANTONIO G. ZAMORA**  
President and Chief Executive Officer

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

  
**ROMMEL L. CRUZ**  
Vice President - Mine Strategic Planning


  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

  
**IRYAN JEAN U. PADILLO**  
Assistant Vice President - Accounting and  
Financial Reporting

Subscribed and sworn to before me this APR 07 2022 day of \_\_\_\_\_, 2022 affiant (s) exhibiting to me his/their Passport Number/License Number, as follows:

Names	Passport/License No.	Date of Issue	Place of Issue
Martin Antonio G. Zamora	P5236537B	06/18/2020	NCR East
Maria Angela G. Villamor	N04-00-468034	11/02/2017	Manila
Rommel L. Cruz	P1178472B	03/25//2019	DFA NCR East
Barbara Anne C. Migallos	P7148981A	05/11/2018	NCR South
Iryan Jean U. Padillo	P2919448B	08/31/2019	NCR Central

Doc. No. 378  
Page No. 77  
Book No. II  
Series of 2022.

  
**KATHRYN ROSALIE B. FADERON-DIONISIO**  
Appointment No. 54 (2020-2021)  
Notary Public for and in the City of Taguig  
Until December 31, 2021  
Roll No. 42738  
PTR No. A-5195018 dated 26 April 2021 / Taguig City  
IBP No. 05593 (Lifetime) / O.R. No. 669506 / 09 January 2006  
MCLE Compliance No. VI-0018369, until 11 April 2021  
28F NAC Tower, 32nd Street, BGC, Taguig City

**NICKEL ASIA CORPORATION**  
SEC FORM 17-A  
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

**CONSOLIDATED FINANCIAL STATEMENTS**

Statement of Management's Responsibility for Financial Statements

Independent Auditor's Report

Consolidated Statements of Financial Position as at December 31, 2021 and 2020

Consolidated Statements of Income for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements

**SUPPLEMENTARY SCHEDULES**

Independent Auditor's Report on Supplementary Schedules

Schedule I: Retained Earnings Available for Dividend Declaration

Schedule II: Supplementary Schedules under Annex 68-J

A. Financial Assets

B. Amounts Receivable from Directors, Officers, Employees, Related Parties,  
and Principal Stockholders (Other than Affiliates)

C. Amounts Receivable from Related Parties which are Eliminated during the  
Consolidated Financial Statements

D. Intangible Assets - Other Assets

E. Long-Term Debt

F. Indebtedness to Affiliates and Related Parties (Long-Term Loans from  
Related Companies)

G. Guarantees of Securities of Other Issuers

H. Capital Stock

Schedule III: A Map Showing the Relationships Between and Among the Company and its

Ultimate Parent Company, Middle Parent, Subsidiaries, Co-Subsidiaries and Associates

Schedule IV: Schedule Showing Financial Soundness

Zimbra

iryanjean.padillo@nickelasia.com

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**Your BIR AFS eSubmission uploads were received**

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**From :** eafs@bir.gov.ph

Wed, Apr 13, 2022 11:06 AM

**Subject :** Your BIR AFS eSubmission uploads were received**To :** CORPSEC@NICKELASIA.COM**Cc :** IRYANJEAN PADILLO <IRYANJEAN.PADILLO@NICKELASIA.COM>

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Hi NICKEL ASIA CORPORATION,

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Transaction Code: **AFS-0-QMXW3XP306HH79JHJPZXP13130WY4M2XW**Submission Date/Time: **Apr 13, 2022 11:06 AM**Company TIN: **007-085-191**

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

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

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

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

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

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

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

  
\_\_\_\_\_  
**GERARD H. BRIMO**  
Chairman of the Board

  
\_\_\_\_\_  
**MARTIN ANTONIO G. ZAMORA**  
President and Chief Executive Officer

  
\_\_\_\_\_  
**MARIA ANGELA G. VILLAMOR**  
Chief Financial Officer

Signed this 10th day of March 2022.


**TAGUIG CITY**

**MAR 30 2022**

**SUBSCRIBED** and **SWORN** to before me, this \_\_\_\_\_ in \_\_\_\_\_, affiants who exhibited to me their competent evidence of identity specified below:

Name	Competent Evidence of Identity	Date and Place Issued
Nickel Asia Corporation	TIN No. 007-085-191	
By:		
Gerard H. Brimo	Passport ID No. P7274048B	7/27/2021; DFA NCR East
Martin Antonio G. Zamora	Passport ID No. P5236537B	6/18/2020; DFA NCR East
Maria Angela G. Villamor	Driver's License No. N04-00-468034	11/2/2017; LTO N6

Doc. No.: 771  
Page No.: 76  
Book No.: 2  
Series of 2022.

  
KATHRYN ROSALIE B. FADERON-DIONISIO  
Appointment No. 54 (2020-2021)  
Notary Public for and in the City of Taguig  
Until December 31, 2021  
Roll No. 42738  
PTR No. A-5195018 dated 26 April 2021 / Taguig City  
IBP No. 05593 (Lifetime) / O.R. No. 669506 / 09 January 2006  
MCLE Compliance No. VI-0018369, until 14 April 2022  
28F NAC Tower, 32nd Street, BGC, Taguig City

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters



Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Recoverability of geothermal exploration and evaluation assets and deferred mine exploration costs***

The ability of the Group to recover its geothermal exploration and evaluation assets and deferred mine exploration costs would depend on the commercial viability of the reserves. The substantial amount of these accounts and the significant management judgment required in assessing whether there is any indication of impairment are key areas of focus in our audit.

The carrying values of geothermal exploration and evaluation assets and deferred mine exploration costs as of December 31, 2021 are disclosed in Notes 11 and 13 to the consolidated financial statements.

***Audit response***

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the geothermal exploration and evaluation assets and deferred mine exploration costs. We inquired into the status of these projects and their plans on operations. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences with regulatory agencies of each exploration project, to determine that the period for which the Group has the right to explore in the specific area, has not been cancelled or has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

***Impairment testing of solar project and construction in-progress***

The Group is adversely affected by the continued decline in wholesale electricity prices. In the event that an impairment indicator is identified, the assessment of the recoverable amounts of the solar project and construction in-progress related to solar farms and geothermal projects, requires significant judgment and is based on assumptions. The assessment of the recoverable amounts of the Sta. Rita Solar Power and the Biliran Geothermal Power Projects, which require estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates, is a key audit matter in our audit. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter in our audit.

The carrying values of the Group's solar project and construction in-progress recorded as part of property and equipment as of December 31, 2021 are disclosed in Note 9 to the consolidated financial statements.



#### *Audit response*

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

#### **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, 2020 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



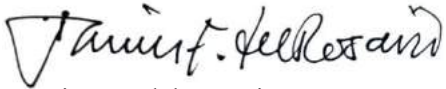
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

Tax Identification No. 102-096-009

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 56915-SEC (Group A),

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-072-2020, November 27, 2020, valid until November 27, 2023

PTR No. 8853485, January 3, 2022, Makati City

March 10, 2022





# NICKEL ASIA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱10,826,806	₱11,835,201
Trade and other receivables (Note 5)	1,971,096	1,438,920
Inventories (Note 6)	2,242,932	2,930,348
Financial assets at (Note 7):		
Fair value through profit or loss (FVTPL)	5,266,080	2,846,822
Fair value through other comprehensive income (FVOCI)	1,122,284	2,548,760
Amortized cost	–	100,000
Prepayments and other current assets (Note 8)	2,581,867	311,919
<b>Total Current Assets</b>	<b>24,011,065</b>	<b>22,011,970</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 9)	17,238,357	16,889,585
Investments in associates (Note 10)	3,812,554	3,193,911
Geothermal exploration and evaluation assets (Note 11)	1,849,936	1,819,859
Financial assets at - net of current portion (Note 7):		
FVTPL	731,813	906,626
Amortized cost	460,000	110,000
Deferred income tax assets - net (Note 37)	309,746	607,264
Long-term stockpile inventory - net of current portion (Note 12)	42,535	–
Other noncurrent assets (Note 13)	3,244,876	3,374,075
<b>Total Noncurrent Assets</b>	<b>27,689,817</b>	<b>26,901,320</b>
<b>TOTAL ASSETS</b>	<b>₱51,700,882</b>	<b>₱48,913,290</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 14)	₱9,226,190	₱8,033,675
Short-term debts (Note 15)	1,492,916	1,492,654
Income tax payable	773,450	1,034,281
Other current liability (Note 40k)	300,731	261,691
Current portion of:		
Long-term debts (Note 15)	89,248	84,040
Lease liabilities (Note 35)	35,754	30,982
Long-term payable (Note 17)	6,693	7,000
<b>Total Current Liabilities</b>	<b>11,924,982</b>	<b>10,944,323</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debts (Note 15)	867,111	893,409
Lease liabilities (Note 35)	578,190	584,922
Deferred income (Note 40m)	41,899	46,089
Long-term payable (Note 17)	–	6,093
Provision for mine rehabilitation and decommissioning (Note 16)	823,962	664,379
Pension liability (Note 36)	624,110	676,087
Deferred income tax liabilities - net (Note 37)	511,428	501,199
<b>Total Noncurrent Liabilities</b>	<b>3,446,700</b>	<b>3,372,178</b>
<b>Total Liabilities</b>	<b>15,371,682</b>	<b>14,316,501</b>

(Forward)





	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 18)	<b>₱6,849,836</b>	₱6,849,836
Additional paid-in capital	<b>8,271,900</b>	8,271,900
Other components of equity:		
Share in cumulative translation adjustment (Note 10)	<b>599,215</b>	381,991
Cost of share-based payment plan (Note 19)	<b>473,442</b>	441,589
Asset revaluation surplus	<b>30,565</b>	30,948
Net valuation gains on financial assets at FVOCI (Note 7)	<b>3,363</b>	57,771
Retained earnings:		
Unappropriated	<b>16,710,460</b>	14,952,425
Appropriated (Note 18)	<b>135,000</b>	189,950
Treasury stock (Note 18)	<b>(134,014)</b>	(134,014)
	<b>32,939,767</b>	31,042,396
<b>Non-controlling Interests (NCI)</b>	<b>3,389,433</b>	3,554,393
<b>Total Equity</b>	<b>36,329,200</b>	34,596,789
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱51,700,882</b>	₱48,913,290

*See accompanying Notes to Consolidated Financial Statements.*



## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2021	2020	2019
<b>REVENUES</b>			
Sale of ore and limestone (Notes 32 and 34)	₱26,099,020	₱20,456,629	₱16,669,736
Services and others (Notes 32 and 34)	797,163	1,026,794	861,307
Sale of power (Notes 32, 34, 40g and 40r)	507,932	288,158	392,251
	<b>27,404,115</b>	<b>21,771,581</b>	<b>17,923,294</b>
<b>COSTS</b>			
Cost of sales (Note 21)	7,611,841	7,519,981	7,105,870
Power generation (Note 22)	361,121	313,250	377,467
Services (Note 23)	321,622	328,562	331,819
	<b>8,294,584</b>	<b>8,161,793</b>	<b>7,815,156</b>
<b>OPERATING EXPENSES</b>			
Excise taxes and royalties (Note 24)	2,705,929	2,244,402	1,787,323
Shipping and loading costs (Note 25)	2,255,570	2,122,779	1,767,016
General and administrative (Note 26)	1,145,907	1,117,666	1,155,984
Marketing (Notes 40e and 40l)	209,121	208,078	157,031
	<b>6,316,527</b>	<b>5,692,925</b>	<b>4,867,354</b>
<b>FINANCE INCOME</b> (Note 29)	<b>162,075</b>	238,293	405,598
<b>FINANCE EXPENSES</b> (Note 30)	<b>(244,081)</b>	(274,502)	(343,655)
<b>EQUITY IN NET INCOME OF ASSOCIATES</b> (Note 10)	<b>557,863</b>	190,447	10,383
<b>OTHER INCOME (CHARGES)</b> - net (Note 31)	<b>701,593</b>	(263,209)	168,824
<b>INCOME BEFORE INCOME TAX</b>	<b>13,970,454</b>	7,807,892	5,481,934
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 37)			
Current	3,162,852	2,564,732	1,790,581
Deferred	169,428	(245,882)	(135,075)
	<b>3,332,280</b>	2,318,850	1,655,506
<b>NET INCOME</b>	<b>₱10,638,174</b>	<b>₱5,489,042</b>	<b>₱3,826,428</b>
Net income attributable to:			
Equity holders of the parent	₱7,812,575	₱4,068,732	₱2,684,969
NCI	2,825,599	1,420,310	1,141,459
	<b>₱10,638,174</b>	<b>₱5,489,042</b>	<b>₱3,826,428</b>
<b>Basic/Diluted Earnings Per Share</b> (EPS; Note 20)	<b>₱0.57</b>	<b>₱0.30</b>	<b>₱0.20</b>

See accompanying Notes to Consolidated Financial Statements.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
<b>NET INCOME</b>	<b>₱10,638,174</b>	<b>₱5,489,042</b>	<b>₱3,826,428</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:</i>			
Share in translation adjustment of associates (Note 10)	310,600	(256,271)	(186,419)
Income tax effect	(93,376)	25,627	18,642
	<b>217,224</b>	<b>(230,644)</b>	<b>(167,777)</b>
Net valuation gains (losses) on financial assets at FVOCI (Note 7)	(54,165)	23,545	133,932
Income tax effect (Note 7)	(243)	1,983	(9,185)
	<b>(54,408)</b>	<b>25,528</b>	<b>124,747</b>
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	<b>162,816</b>	<b>(205,116)</b>	<b>(43,030)</b>
<i>Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:</i>			
Remeasurement gain (loss) on pension liability (Note 36)	73,655	(276,917)	(77,048)
Income tax effect	(44,700)	83,076	23,114
	<b>28,955</b>	<b>(193,841)</b>	<b>(53,934)</b>
Asset revaluation surplus	(511)	(547)	(547)
Income tax effect	128	164	164
	<b>(383)</b>	<b>(383)</b>	<b>(383)</b>
Net other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods	<b>28,572</b>	<b>(194,224)</b>	<b>(54,317)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>191,388</b>	<b>(399,340)</b>	<b>(97,347)</b>
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>₱10,829,562</b>	<b>₱5,089,702</b>	<b>₱3,729,081</b>
Total comprehensive income attributable to:			
Equity holders of the parent	₱7,999,522	₱3,727,463	₱2,599,758
NCI	2,830,040	1,362,239	1,129,323
	<b>₱10,829,562</b>	<b>₱5,089,702</b>	<b>₱3,729,081</b>

See accompanying Notes to Consolidated Financial Statements.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent										Total	NCI	Total
	Capital Stock (Note 18)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment (Note 10)	Cost of Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Net Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Retained Earnings		Treasury Stock (Note 18)	Total			
							Unappropriated	Appropriated (Note 18)					
<b>Balances at December 31, 2020</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱381,991</b>	<b>₱441,589</b>	<b>₱30,948</b>	<b>₱57,771</b>	<b>₱14,952,425</b>	<b>₱189,950</b>	<b>(₱134,014)</b>	<b>₱31,042,396</b>	<b>₱3,554,393</b>	<b>₱34,596,789</b>	
Net income	-	-	-	-	-	-	7,812,575	-	-	7,812,575	2,825,599	10,638,174	
Other comprehensive income (loss)	-	-	217,224	-	(383)	(54,408)	24,514	-	-	186,947	4,441	191,388	
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>217,224</b>	<b>-</b>	<b>(383)</b>	<b>(54,408)</b>	<b>7,837,089</b>	<b>-</b>	<b>-</b>	<b>7,999,522</b>	<b>2,830,040</b>	<b>10,829,562</b>	
Cost of share-based payment plan (Notes 19 and 27)	-	-	-	31,853	-	-	-	-	-	31,853	-	31,853	
Cash dividends (Note 18)	-	-	-	-	-	-	(6,133,883)	-	-	(6,133,883)	-	(6,133,883)	
7% Cash dividends - Preferred share (Note 18)	-	-	-	-	-	-	(504)	-	-	(504)	-	(504)	
Cash dividends to NCI (Note 33)	-	-	-	-	-	-	-	-	-	-	(2,995,000)	(2,995,000)	
Reversal of appropriations (Note 18)	-	-	-	-	-	-	54,950	(54,950)	-	-	-	-	
Asset revaluation surplus transferred to retained earnings (Note 9)	-	-	-	-	-	-	383	-	-	383	-	383	
<b>Balances at December 31, 2021</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱599,215</b>	<b>₱473,442</b>	<b>₱30,565</b>	<b>₱3,363</b>	<b>₱16,710,460</b>	<b>₱135,000</b>	<b>(₱134,014)</b>	<b>₱32,939,767</b>	<b>₱3,389,433</b>	<b>₱36,329,200</b>	



Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 18)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment (Note 10)	Cost of Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Net Valuation Gains on Financial Assets at FVOCI (Note 7)	Retained Earnings		Treasury Stock (Note 18)	Total	NCI	Total
							Unappropriated	Appropriated (Note 18)				
Balances at December 31, 2019	₱6,849,836	₱8,262,455	₱612,635	₱370,522	₱31,331	₱32,243	₱13,713,383	₱1,585,576	(₱87,950)	₱31,370,031	₱3,761,230	₱35,131,261
Net income	-	-	-	-	-	-	4,068,732	-	-	4,068,732	1,420,310	5,489,042
Other comprehensive income (loss)	-	-	(230,644)	-	(383)	25,528	(135,770)	-	-	(341,269)	(58,071)	(399,340)
Total comprehensive income (loss)	-	-	(230,644)	-	(383)	25,528	3,932,962	-	-	3,727,463	1,362,239	5,089,702
Cost of share-based payment plan (Notes 19 and 27)	-	-	-	71,067	-	-	-	-	-	71,067	-	71,067
Cash dividends (Note 18)	-	-	-	-	-	-	(4,089,425)	-	-	(4,089,425)	-	(4,089,425)
7% Cash dividends - Preferred share (Note 18)	-	-	-	-	-	-	(504)	-	-	(504)	-	(504)
Cash dividends to NCI (Note 33)	-	-	-	-	-	-	-	-	-	-	(1,702,000)	(1,702,000)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(46,064)	(46,064)	-	(46,064)
Reversal of appropriations (Note 18)	-	-	-	-	-	-	1,450,576	(1,450,576)	-	-	-	-
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	(54,950)	54,950	-	-	-	-
Asset revaluation surplus transferred to retained earnings (Note 9)	-	-	-	-	-	-	383	-	-	383	-	383
Effect of partial disposal of shares in a subsidiary	-	9,445	-	-	-	-	-	-	-	9,445	132,924	142,369
Balances at December 31, 2020	₱6,849,836	₱8,271,900	₱381,991	₱441,589	₱30,948	₱57,771	₱14,952,425	₱189,950	(₱134,014)	₱31,042,396	₱3,554,393	₱34,596,789

See accompanying Notes to Consolidated Financial Statements.



Equity Attributable to Equity Holders of the Parent

	Capital Stock	Additional Paid-in Capital	Share in Cumulative Translation Adjustment	Cost of Share-based Payment Plan	Asset Revaluation Surplus	Net Valuation Gains (Losses) on Financial Assets at FVOCI	Retained Earnings		Treasury Stock	Total	NCI	Total
							Unappropriated	Appropriated (Note 18)				
Balances at December 31, 2018	₱6,849,836	₱8,262,455	₱780,412	₱240,003	₱31,714	(₱92,504)	₱11,794,529	₱1,818,628	(₱20,366)	₱29,664,707	₱3,786,123	₱33,450,830
Net income	-	-	-	-	-	-	2,684,969	-	-	2,684,969	1,141,459	3,826,428
Other comprehensive income (loss)	-	-	(167,777)	-	(383)	124,747	(41,798)	-	-	(85,211)	(12,136)	(97,347)
Total comprehensive income (loss)	-	-	(167,777)	-	(383)	124,747	2,643,171	-	-	2,599,758	1,129,323	3,729,081
Cost of share-based payment plan (Note 27)	-	-	-	130,519	-	-	-	-	-	130,519	-	130,519
Cash dividends (Note 18)	-	-	-	-	-	-	(957,248)	-	-	(957,248)	-	(957,248)
7% Cash dividends - Preferred share (Note 18)	-	-	-	-	-	-	(504)	-	-	(504)	-	(504)
Cash dividends to NCI	-	-	-	-	-	-	-	-	-	-	(1,155,000)	(1,155,000)
Elimination of NCI at disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	784	784
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(67,584)	(67,584)	-	(67,584)
Reversal of appropriations (Note 18)	-	-	-	-	-	-	318,628	(318,628)	-	-	-	-
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	(85,576)	85,576	-	-	-	-
Asset revaluation surplus transferred to retained earnings (Note 9)	-	-	-	-	-	-	383	-	-	383	-	383
Balances at December 31, 2019	₱6,849,836	₱8,262,455	₱612,635	₱370,522	₱31,331	₱32,243	₱13,713,383	₱1,585,576	(₱87,950)	₱31,370,031	₱3,761,230	₱35,131,261

See accompanying Notes to Consolidated Financial Statements.



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

	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱13,970,454</b>	₱7,807,892	₱5,481,934
Adjustments for:			
Depreciation, amortization and depletion (Notes 9 and 28)	<b>1,620,139</b>	1,445,260	1,404,365
Equity in net income of associates (Note 10)	<b>(557,863)</b>	(190,447)	(10,383)
Unrealized foreign exchange losses (gains) - net (Note 31)	<b>(241,331)</b>	143,177	203,048
Loss (gain) on:			
Changes in fair value of financial assets at FVTPL (Note 31)	<b>(69,404)</b>	41,800	(347,725)
Casualty (Note 31)	<b>63,384</b>	–	–
Sale of financial assets at FVOCI (Note 31)	<b>28,262</b>	(47,157)	(19,055)
Write-off of input VAT (Note 31)	<b>19,321</b>	8,649	1,624
Sale of property and equipment (Note 31)	<b>(8,360)</b>	4,353	14,020
Write-off of project development cost and other deposits (Notes 31 and 40q)	–	4,367	99,139
Exchange of assets (Notes 31 and 40q)	–	–	(39,986)
Sale of investment in subsidiaries (Note 31)	–	–	(881)
Redemption of financial assets at amortized cost (Note 31)	–	–	(200)
Interest income (Note 29)	<b>(162,075)</b>	(238,293)	(405,598)
Interest expense (Note 30)	<b>137,460</b>	157,587	208,286
Accretion of interest on:			
Lease liabilities (Notes 30 and 35)	<b>54,554</b>	54,344	55,342
Provision for mine rehabilitation and decommissioning (Notes 16 and 30)	<b>15,074</b>	14,764	14,738
Long-term payable (Notes 17 and 30)	<b>600</b>	793	977
Provisions for (reversal of allowance for) impairment losses on (Note 31):			
Inventories	<b>(25,962)</b>	(2,749)	11,591
Input VAT	<b>17,206</b>	–	725
Advances to suppliers and contractors (Note 31)	<b>8,072</b>	15,336	–
Dividend income (Notes 7 and 31)	<b>(32,073)</b>	(33,500)	(45,539)
Cost of share-based payment plan (Notes 19 and 27)	<b>31,853</b>	71,067	130,519
Movements in:			
Pension liability (Note 36)	<b>(6,087)</b>	(9,652)	(33,987)
Deferred income	<b>(4,190)</b>	(4,190)	(4,190)
Operating income before working capital changes	<b>14,859,034</b>	9,243,401	6,718,764
Decrease (increase) in:			
Prepayments and other current assets	<b>(2,289,269)</b>	72,825	666,602
Inventories	<b>645,316</b>	1,174,516	(262,728)
Trade and other receivables	<b>(333,077)</b>	(351,071)	105,504
Increase in trade and other payables	<b>218,052</b>	725,974	254,248
Net cash generated from operations	<b>13,100,056</b>	10,865,645	7,482,390
Income taxes paid	<b>(3,423,683)</b>	(2,087,839)	(1,648,982)
Net cash flows from operating activities	<b>9,676,373</b>	8,777,806	5,833,408

(Forward)



	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Financial assets at (Note 7):			
FVTPL	<b>(₱5,721,442)</b>	(₱3,251,619)	(₱1,233,089)
FVOCI	<b>(5,467,059)</b>	(4,662,785)	(2,247,021)
Amortized cost	<b>(350,000)</b>	-	(58,447)
Property and equipment (Note 9)	<b>(1,774,433)</b>	(2,132,848)	(1,255,523)
Proceeds from sale or redemption of:			
Financial assets at:			
FVOCI	<b>6,811,108</b>	4,909,068	2,233,070
FVTPL	<b>3,640,683</b>	1,947,885	1,065,502
Amortized cost	<b>100,000</b>	244,217	136,200
Property and equipment	<b>16,108</b>	2,230	5,067
Subsidiaries, net of cash disposed (Note 1)	-	-	51,366
Increase in:			
Other noncurrent assets	<b>(241,653)</b>	(208,303)	(262,902)
Geothermal exploration and evaluation assets (Note 11)	<b>(30,077)</b>	(8,148)	(18,267)
Interest received	<b>170,592</b>	268,676	404,381
Dividends received (Notes 7 and 10)	<b>26,813</b>	33,453	150,342
Issuance of loan (Note 40a)	-	-	(543,824)
<b>Net cash flows used in investing activities</b>	<b>(2,819,360)</b>	(2,858,174)	(1,573,145)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Cash dividends (Notes 18 and 33)	<b>(7,854,387)</b>	(5,731,929)	(2,212,752)
Short-term debt	<b>(1,500,000)</b>	(1,500,000)	(1,500,000)
Interest	<b>(96,168)</b>	(123,810)	(167,256)
Long-term debts	<b>(75,546)</b>	(75,546)	(334,637)
Principal portion of lease liabilities (Note 35)	<b>(56,514)</b>	(55,149)	(90,273)
Long-term payable	<b>(7,000)</b>	(5,000)	(5,000)
Proceeds from availment of:			
Short-term debts, net of debt issue costs (Note 15)	<b>1,488,990</b>	1,488,953	1,488,903
Long-term debt (Note 15)	<b>13,321</b>	94,976	-
Proceeds from sale of noncontrolling interest in a subsidiary (Note 1)	-	71,184	-
Acquisitions of treasury stock	-	(46,064)	(67,584)
Increase in other current liability	<b>39,040</b>	40,612	-
<b>Net cash flows used in financing activities</b>	<b>(8,048,264)</b>	(5,841,773)	(2,888,599)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,191,251)</b>	77,859	1,371,664
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>11,835,201</b>	11,943,128	10,784,369
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS (Note 31)</b>	<b>182,856</b>	(185,786)	(212,905)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱10,826,806</b>	₱11,835,201	₱11,943,128

See accompanying Notes to Consolidated Financial Statements.





# **NICKEL ASIA CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)**

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### **1. Corporate Information**

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

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

#### The Subsidiaries

##### *Hinatuan Mining Corporation (HMC)*

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

##### *Cagdianao Mining Corporation (CMC)*

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

##### *Dinapigue Mining Corporation (DMC)*

DMC was registered with the SEC on October 9, 1998, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits in Dinapigue, Isabela. In 2021, DMC conducted two (2) test shipments and delivered ore to Coral Bay Nickel Corporation (CBNC). As at March 10, 2022, DMC is transitioning from construction and development stage to production stage.

##### *Samar Nickel Mining Resources Corporation (SNMRC)*

SNMRC was registered with the SEC on March 11, 2010, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of mineral ores. As at March 10, 2022, SNMRC has not yet started commercial operations.

##### *CDTN Services Company Inc. (CDTN)*

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



*Coral Pearl Developments Limited (CPDL)*

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

*La Costa Shipping and Lighterage Corporation (LCSLC)*

LCSLC was registered with the SEC on October 23, 1992, is a 100% owned subsidiary of the Parent Company through HMC, and is primarily engaged in the chartering out of LCT and providing complete marine services. LCSLC was acquired by HMC in April 2010. In May 2014, the Board of Directors (BOD) of LCSLC authorized the sale of all of its LCTs to HMC for a consideration.

*Falck Exp Inc. (FEI)*

FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (TMC), and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue (BIR) was approved. Final dissolution will take place after the approval of FEI's application with the SEC. As at March 10, 2022, FEI is still waiting for the approval of the SEC.

*Cordillera Exploration Co., Inc. (CExCI)*

CExCI was registered with the SEC on October 19, 1994, is a 71.25% owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. As at March 10, 2022, CExCI is currently not engaged in any development or commercial production activities.

*Newminco Pacific Mining Corporation (Newminco)*

Newminco was registered with the SEC on October 9, 2006, is a 71.25% owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. As at March 10, 2022, Newminco is currently not engaged in any development or commercial production activities.

*Taganito Mining Corporation*

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

*Rio Tuba Nickel Mining Corporation (RTN)*

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



*Emerging Power Inc. (EPI)*

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

*Mindoro Geothermal Power Corporation (MGPC)*

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

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

On September 6, 2021, MGPC entered into a Memorandum of Agreement (MOA) with Symba Renewable Energy (SRE) on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago geothermal field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system. As at December 31, 2021, the electrical submersible pump to be used for the flow test is being manufactured based on the updated temperature data from the geothermal wells.

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

*Biliran Holdings Inc. (BHI)*

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

*Northern Palawan Power Generation Corporation (NPPGC)*

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

*Manta Energy Inc. (MEI)*

MEI was registered with the SEC on May 21, 2007, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. On September 18, 2019, EPI sold its investment in MEI to Shell Gas B.V. for ₱100.0 million.

*Jobin-SQM, Inc. (JSI)*

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



In January 2019, JSI received the Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) for Phases 1 and 2 - 32MW of the Solar Project, valid for a period of five (5) years from November 2016 to November 2021 until revoked or suspended. The COC was issued subsequent to the authorization granted by the ERC to JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW Solar Project to the Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation in December 2018. In November 2021, pursuant to JSI's COC renewal application, the ERC extended the Provisional Authority to Operate (PAO) for Phases 1 and 2 for a period of one (1) year or up to November 2022.

Moreover, in June 2021, the ERC granted a PAO for JSI's Phase 3A - 30MW for one (1) year or up to June 2022. As at December 31, 2021, Phases 1, 2 and 3A of the Solar Project with total capacity of 62MW are in commercial operations. The remaining Phase 3B - 38MW is currently under construction and expected to be completed by second quarter of 2022.

On June 17, 2020, EPI sold its 10% investment in JSI to TBEA International Engineering Co., Ltd. (TBEA) for ₱144.3 million. On March 29, 2021, EPI partially paid its outstanding loan from the Parent Company by way of dation in payment of EPI's right and interest equivalent to 38% of JSI's shares of stock

*Biliran Geothermal Inc. (BGI)*

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

As at December 31, 2021, there are a total of eight (8) wells drilled, with vertical, deviated or directional well tracks. BGI has continued to conduct activities for maintenance of the existing wells and secure the necessary permits and licenses related to the project.

*Mantex Services Inc. (Mantex)*

Mantex was registered with the SEC on March 26, 2012, is a 43.15% owned subsidiary of the Parent Company through EPI. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects. On August 28, 2019, MEI assigned its 50% ownership in Mantex to G.A.A. Delgado Inc. for a consideration.

Coronavirus Disease (COVID-19) Outbreak

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation (PP) No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, PP No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021.



These have caused disruptions to businesses and economic activities; however, the Group has determined that these series of events have not materially affected its financial position as at December 31, 2021 and 2020 and its financial performance and cash flows for the years then ended.

As at March 10, 2022, NCR is under Alert Level 1.

Effect of Super Typhoon Odette

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

Super typhoon Odette damaged the Group’s inventories and properties and equipment, disrupted the lives of the employees and destroyed properties and fixtures of the host and neighboring communities. As a result, the Group reported a total casualty losses of ₱63.4 million in 2021. After the typhoon, the Group conducted relief operations, provided employee and community assistance and started repairs of infrastructure damages within the mines, host and neighboring communities. As at March 10, 2022, the Group’s affected mines are operating as usual.

The consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were authorized for issuance by the Parent Company’s BOD on March 10, 2022.

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

Basis of Preparation

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

Basis of Consolidation

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

	Principal Place of Business	Principal Activities	Effective Ownership	
			2021	2020
<i>Subsidiaries</i>				
HMC	Philippines	Mining and Services	100.00%	100.00%
CMC	Philippines	Mining	100.00%	100.00%
DMC	Philippines	Mining	100.00%	100.00%
SNMRC	Philippines	Mining	100.00%	100.00%
CDTN <sup>(a)</sup>	Philippines	Services	100.00%	100.00%
CPDL	BVI	Services	100.00%	100.00%
LCSLC <sup>(b)</sup>	Philippines	Services	100.00%	100.00%
FEI <sup>(c)</sup>	Philippines	Mining	88.00%	88.00%

(Forward)



	Principal Place of Business	Principal Activities	Effective Ownership	
			2021	2020
		Renewable Energy (RE)		
EPI	Philippines	Developer	<b>86.29%</b>	86.29%
MGPC <sup>(d)</sup>	Philippines	RE Developer	<b>86.29%</b>	86.29%
BHI <sup>(d)</sup>	Philippines	Services	<b>86.29%</b>	86.29%
NPPGC <sup>(d)</sup>	Philippines	Power Generation	<b>86.29%</b>	86.29%
JSI <sup>(e)</sup>	Philippines	Power Generation	<b>82.87%</b>	77.66%
CExCI	Philippines	Mining	<b>71.25%</b>	71.25%
Newminco <sup>(f)</sup>	Philippines	Mining	<b>71.25%</b>	71.25%
TMC	Philippines	Mining and Services	<b>65.00%</b>	65.00%
RTN	Philippines	Mining and Services	<b>60.00%</b>	60.00%
BGI <sup>(d)</sup>	Philippines	Power Generation	<b>51.77%</b>	51.77%
<i>Associates</i>				
THNC	Philippines	Manufacturing	<b>10.00%</b>	10.00%
CBNC	Philippines	Manufacturing	<b>10.00%</b>	10.00%

(a) Incorporated on December 21, 2020

(b) Indirect ownership through HMC

(c) Indirect ownership through HMC, CMC and TMC

(d) Indirect ownership through EPI

(e) Direct ownership of 38% and indirect ownership through EPI of 44.87%

(f) Indirect ownership through CExCI

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021 and 2020. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

#### *Subsidiaries*

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

The Group controls an investee if and only if the Group has all of the following:

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.



Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

#### *NCI*

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share in the net assets acquired is recognized as an equity transaction.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

#### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

#### Changes in Accounting Policies and Disclosures

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

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

- Amendment to PFRS 16, *COVID-19 related Rent Concessions beyond June 30, 2021*
- Amendments to PFRS 9, Philippine Accounting Standards (PAS) 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*



### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a First-Time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *Deferred Effectivity*

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

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

### Summary of Significant Accounting and Financial Reporting Policies

#### Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when





the fair value is determined. All differences are taken to “Other income (charges) - net” in the consolidated statement of income.

As at the end of the financial reporting period, the statement of financial position of associates and a subsidiary (whose functional currency is other than the Philippine peso) is translated into the presentation currency of the Group (the Philippine peso) using the rate of exchange prevailing at the end of the financial reporting period and the consolidated statement of income is translated using the weighted average exchange rate for the year. The exchange differences arising on the translation is recognized in other comprehensive income. Upon disposal of such associate or subsidiary, the component of other comprehensive income relating to that particular associate or subsidiary will be recognized in the consolidated statement of income.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

#### Fair Value Measurement

The Group measures financial instruments at fair value at each end of the financial reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the financial reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level of the fair value hierarchy as explained above.

#### Cash and Cash Equivalents

Cash includes cash on hand, with banks and under managed funds. Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

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



## Financial Assets

### *Initial Recognition, Classification and Measurement of Financial Instruments*

Financial assets are classified, at initial recognition, as subsequently measured at FVTPL, at FVOCI and at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one (1) year or less, are measured at the transaction price determined under PFRS 15.

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

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

### *Subsequent Measurement*

For purposes of subsequent measurement, the Group's financial assets are classified in the following categories:

- Financial assets at FVTPL
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at amortized cost (debt instruments)

### Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the



business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income. A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

This category includes debt and equity investments which the Group had not irrevocably elected to classify at FVOCI (see Note 7). Dividends on equity investments are recognized under “Other income (charges) - net” in the consolidated statement of income when the right of payment has been established (see Note 31).

#### Financial Assets at FVOCI (Debt Instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the consolidated statement of income.

The Group’s debt instruments at FVOCI include investments in quoted debt instruments such as government and corporate bonds and other similar investments (see Note 7). The Group does not hold equity instruments measured at FVOCI.

#### Financial Assets at Amortized Cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group’s financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, investment in certain debt instruments, short-term cash investments under “Prepayments and other current assets”, loan receivable and long-term negotiable instruments (see Notes 4, 5, 7, 8 and 13).



### *Impairment of Financial Assets*

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

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the twelve (12)-months after the financial reporting date are recognized.

*Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

*Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

### Determining the Stage for Impairment

At each financial reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the financial reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a twelve (12)-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

For cash and cash equivalents, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either a twelve (12)-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents since initial recognition.

The Group computes ECLs using the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) for trade receivables. The Group does not



track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each end of the financial reporting period.

The Group's debt instruments at FVOCI and at amortized cost comprise of quoted bonds and government securities that are graded in the investment category by either Standard and Poor's, Moody's, Bloomberg or Fitch (collectively referred to as the Credit Rating Agencies), whichever is applicable, and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a twelve (12)-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are thirty (30) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group writes-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes-off an account when all of the following conditions are met:

- the asset is past due for over thirty (30) days, or is already an item-in-litigation with any of the following:
  - a. no properties of the counterparty could be attached
  - b. the whereabouts of the counterparty cannot be located
  - c. it would be more expensive for the Group to follow-up and collect the amount, hence the Group have ceased enforcement activity, and
  - d. collections can no longer be made due to insolvency or bankruptcy of the counterparty
- expanded credit arrangement is no longer possible;
- filing of legal case is not possible; and
- the account has been classified as 'Loss'.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group



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

### Financial Liabilities

#### *Initial Recognition, Classification and Measurement of Financial Instruments*

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax.

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

The Group's financial liabilities are in the nature of other financial liabilities. The Group has no financial liabilities classified as at FVTPL and derivatives designated as hedging instruments in an effective hedge.

#### *Subsequent Measurement*

The measurement of other financial liabilities is as described below:

### Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVTPL upon the inception of the liability. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under "Finance expense" in the consolidated statement of income.

Other financial liabilities are included in current liabilities if settlement is within twelve (12) months from the end of the financial reporting period, otherwise, these are classified as noncurrent liabilities.

This accounting policy applies primarily to the Group's trade and other payables, short-term and long-term debts, lease liabilities, long-term payable and other obligations that meet the above definition (excluding government payables and other liabilities that are covered by other accounting standards, such as income tax payable and pension; see Notes 14, 15, 17 and 35).

#### *Derecognition*

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

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



transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

#### Reclassifications of Financial Instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset and the right is not contingent on a future event, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties, and is legally enforceable in the normal course of business.

#### Inventories

Inventories, including the long-term stockpile inventory, are valued at the lower of cost or net realizable value (NRV). Cost is determined by the moving average production cost during the year for beneficiated nickel ore and limestone exceeding a determined cut-off grade and average handling costs of limonite ores. The NRV of beneficiated nickel ore and limestone inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

For materials and supplies, cost is determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. The NRV of materials and supplies is the current replacement cost. Any provision for inventory losses is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

The long-term stockpile inventory cost is represented by the fair value of the long-term stockpile inventory related to the acquisition of the controlling interest in RTN in August 2006. The fair value was determined using the present value of the estimated cash flows, which RTN will derive from the sale of this inventory to CBNC under its Nickel Ore Supply Agreement with CBNC (see Note 34a). After initial recognition, the long-term stockpile inventory is subsequently charged to cost of sale of ore based on actual tonnage delivered to CBNC. NRV of long-term stockpile inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### Prepayments and Other Current Assets

Prepayments and other current assets include short-term cash investments, input Value Added Tax (VAT), advances and deposits, prepaid taxes, tax credit certificates, and various prepayments which the Group expects to realize or consume the assets within twelve (12) months after the end of the financial reporting period.

#### *VAT*

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated





statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset and presented as part of “Prepayments and other current assets” in the consolidated statement of financial position. Deferred input VAT, which represents input VAT on capital assets subject to amortization, and any excess input VAT which: (1) may be utilized against output VAT, if any, beyond twelve (12) months from the end of the financial reporting period; or (2) are being claimed for refund or as tax credits with the BIR and/or Court of Tax Appeals are presented as part of “Other noncurrent assets” in the consolidated statement of financial position. Input VAT is stated at cost less any impairment in value.

#### Property and Equipment

The Group’s property and equipment consists of land and land improvements, mining properties and development costs, machinery and equipment, buildings and improvements, transmission lines and substations, solar farm, construction in-progress and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion and accumulated impairment loss, if any. The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any accumulated impairment loss.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use. This also include interest on borrowed funds incurred during the construction period.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

<u>Category</u>	<u>Number of Years</u>
Land improvements	5
Machinery and equipment	2-15
Buildings and improvements	2-25
Transmission lines and substations	10-40
Solar farm	5-40



Mining properties and development costs include the capitalized cost of mine rehabilitation and decommissioning and other development cost necessary to prepare the area for operations. Depletion of mining properties is calculated using the unit-of-production method based on the estimated economically recoverable reserves to which they relate to or are written-off if the property is abandoned. Development costs are depreciated using the straight-line method over the estimated useful life of the asset of twenty (20) to thirty (30) years.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life and lease term of four (4) to fifty (50) years. ROU assets are subject to impairment.

Depreciation, amortization and depletion of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, or in case of mining properties, from start of commercial operations upon extraction of ore reserves. Depreciation, amortization and depletion ceases when the assets are fully depreciated, amortized or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The assets' estimated recoverable reserves, residual values, useful lives and depreciation, amortization and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. If there is an indication that there has been a significant change in depreciation, amortization and depletion rate, useful life or residual value of an asset, these are revised prospectively to reflect the new expectations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset revaluation surplus which arose from the acquisition of the controlling interest in RTN in August 2006, relates to the land, machinery and equipment, and building and improvements. The said assets, which are part of the Group's property and equipment, were revalued in connection with the acquisition, and the revalued amounts were subsequently treated as the deemed cost. The related and applicable depreciation on these assets is transferred periodically to retained earnings.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

#### *Borrowing Cost*

Borrowing costs directly attributable to the development of the Group's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. The capitalization of the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are



being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Capitalized borrowing costs are based on the applicable borrowing rate agreed in the agreement.

#### Investments in Associates

Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control activities. The Group's investments in associates are accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

If the ownership interest in an associate is reduced, but the investment continues to be an associate, the Group shall reclassify to the consolidated statement of income the proportionate gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest if that gain or loss would be required to be reclassified to consolidated statement of income on the disposal of the related asset.

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

#### Geothermal Exploration and Evaluation Assets

The Group follows the full cost method of accounting for its geothermal exploration and evaluation assets determined on the basis of the service contract. Under this method, all exploration costs relating to each service contract are accumulated and deferred under "Geothermal exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when the management decides to use the unproductive wells, for recycling or waste disposal.



Once the technical feasibility and commercial viability of the project to produce proved reserves have been established and appropriate regulatory approvals have been obtained, the geothermal exploration and evaluation assets are reclassified to property and equipment.

Geothermal exploration and evaluation assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of income in the year the item is derecognized.

Geothermal exploration and evaluation assets also include interest on borrowed funds that are directly attributable to the construction and development of the Group's projects.

#### Other Noncurrent Assets

Other noncurrent assets of the Group include deferred mine exploration costs, advances and deposits, deferred input VAT, mine rehabilitation fund (MRF), Social Development Management Program (SDMP) funds, loan receivable, computer software, long-term negotiable instruments, project development costs, pension asset, and other deposits. Aside from MRF, SDMP funds and restricted cash which are restricted as to withdrawal for specified purpose, these are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the financial reporting period.

#### *Deferred Mine Exploration Costs*

Expenditures for the acquisition of property rights are capitalized. Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to property and equipment. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value. Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.

#### *Deferred Stripping Costs*

Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine which are amortized subsequently. Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an



addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or amortization and less impairment losses.

#### *Project Development Costs*

Project development costs are expensed as incurred until management determines that the project is technically, commercially, and financially viable, at which time project development costs are capitalized. Project's viability generally occurs in tandem with management's determination that a project should be classified as an advanced project as evidenced by a favorable system impact study, interconnection agreements, or when project financing is in place.

Following initial recognition of the project development cost as an asset, the cost model is applied requiring the asset to be carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when the development of the energy projects are complete and the asset is available for use. It is amortized using the straight-line method over the period of expected future benefit. During the period in which the asset is not yet available for use, the project development costs are tested for impairment annually, irrespective of whether there is indication of impairment.

#### Impairment of Nonfinancial Assets

##### *Inventories and Long-term Stockpile Inventory*

The Group determines the NRV of inventories and long-term stockpile inventory at each end of the financial reporting period. If the cost of the inventories and long-term stockpile inventory exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of income in the year the impairment is incurred. In the case when NRV of the inventories and long-term stockpile inventory increased subsequently, the NRV will increase the carrying amounts of inventories but only to the extent of their original acquisition costs.

##### *Property and Equipment and Nonfinancial Prepayments and Other Current and Noncurrent Assets*

The Group assesses, at each end of the financial reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. These calculations are corroborated by valuation multiples or other available fair value indicators. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income. Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, amortization and depletion) had no impairment loss been recognized for that asset in prior years.

##### *Investments in Associates*

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associates. At each end of the financial reporting period, the Group determines whether there is objective evidence that the investments in associates are impaired.



If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the amount in the consolidated statement of income.

#### *Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs*

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Geothermal exploration and evaluation assets and deferred mine exploration costs are reassessed for impairment on a regular basis.

#### Other Current Liability

Other current liability pertains to deposits for future stock subscription which represents advance payments from stockholders for the subscription of future issuance of shares.

The Group classifies its deposits for future stock subscription as a separate account under equity if and only if, all of the following elements are present as at the end of the financial reporting period:

- There is a lack of or insufficiency in unissued authorized capital stock;
- The BOD and stockholders have approved the proposed increase in authorized capital stock; and
- An application for the approval of the proposed increase in authorized capital stock has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposits for future stock subscription shall be recognized and included as a separate line item under liabilities in the consolidated statement of financial position.

#### Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

#### *Lease Liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments



that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include, if any, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term Leases and Leases of Low-value Assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

#### *Group as a Lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

#### Provisions

##### *General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the financial reporting period and adjusted to reflect the current best estimate. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as part of "Finance expense" in the consolidated statement of income.

##### *Provision for Mine Rehabilitation and Decommissioning*

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.



The periodic unwinding of the discount is recognized as part of “Finance expense” in the consolidated statement of income. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur. When rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the financial reporting period and the cost is charged to consolidated statement of income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

MRF committed for use in satisfying environmental obligations are included within “Other noncurrent assets” in the consolidated statement of financial position.

#### Deferred Income

Deferred income are advance payments received for lease arrangements during one (1) financial reporting period but earned and shown in the consolidated statement of income in the year when it can be matched with the period in which it is realized as income.

#### Capital Stock

Common shares are classified as equity and are measured at par value for all shares issued and outstanding.

Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Parent Company’s option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company’s BOD. Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statement of income as accrued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to “Additional paid-in capital”.

Unpaid subscriptions are recognized as a reduction from subscribed capital shares.

#### Share-based Payment Transactions

The executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transaction is determined by the fair value at the date when the grant is made using the Black Scholes-Merton model. The cost of equity-settled transaction is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at the end of each financial reporting period until the vesting date reflects the extent to which the vesting period





has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit in the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and are recognized in "Personnel costs".

No expense is recognized for awards that do not ultimately vest.

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted EPS.

#### Other Comprehensive Income

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

#### Retained Earnings

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

Dividends are recognized as a liability and deducted from equity when they are approved or declared by the BOD and/or stockholders. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the end of the financial reporting period.

#### Treasury Stock

Own equity instruments that are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the "Additional paid-in capital".

#### Basic/Diluted EPS

##### *Basic EPS*

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



### *Diluted EPS*

Diluted EPS is calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

### Revenue from Contracts with Customers

The Group is principally engaged in the business of producing beneficiated nickel ore, limestone and quarry materials, rendering of services and generating revenue from sale of power. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

### Contract Balances

#### *Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

#### *Trade Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "*Financial Assets - Initial Recognition, Classification and Measurement*".

#### *Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

From time to time, the Group recognizes contract liabilities in relation to its sale of ore which are sold under free-on-board (FOB) Incoterms, whereby a portion of the cash may be received from the customer before the loading of ore are completed.

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

- *Sale of Beneficiated Nickel Ore, Limestone and Quarry Materials*  
For the sale of beneficiated nickel ore, limestone and quarry materials, the enforceable contract is each purchase order, which is an individual, short-term contract. Purchase orders are executed through an Addendum to the master supply agreements with customers. While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes.



The Group's sale of ore allows price adjustment provision where final ore price shall be based on the final results of the final assay exchange with customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue is recognized when control passes to the customer, which occurs at a point in time when the ore, in the case of deliveries other than to CBNC and THNC, is physically transferred onto a vessel. In the case of deliveries to CBNC and THNC, this occurs at the time the ore passes into the ore preparation hopper of the respective plants and at the time the quarry materials have been delivered to each delivery points. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received.

- *Sale of Power*

Revenue from sale of power primarily pertains to sale of electricity to Independent Electricity Market Operator (IEMO), formerly known as Philippine Electricity Market Corporation, which are traded through Philippine Wholesale Electricity Spot Market (WESM) and to Surigao Del Norte Electric Cooperative, Inc. (SURNECO).

For the sale of power to IEMO, the enforceable contract is the Market Participation Agreement together with the WESM Rules that implement the provisions of the Electric Power Industry Reform Act (EPIRA) of 2001, its Implementing Rules and Regulations and other related laws. For the sale of power to SURNECO, the enforceable contract is the Power Supply Agreement (PSA).

The performance obligation is the sale of power since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

The Group concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the Group supplies power.

The sale of power to IEMO provides an unspecified quantity of energy. The unit price for the sale of power is determined at each trading interval of each day while the unit price for its bilateral agreements are at a fixed rate based on the PSAs with customers. Such provisions under PFRS 15 give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

*Rendering of Services*

Revenue from rendering of services consists of shippers activities, service fees, usage fees, assaying fees, drilling fees and materials handling fees are recognized when the services are rendered. The performance obligations are satisfied and payment is generally due upon completion and billing of the services. Revenue is recognized over time and units of delivery output method is the measure of progress since the customer obtains the benefit from the Group's performance based on the quantities and volume of materials handled each month.



*Capital Recovery Fee*

Revenue from capital recovery fee of the diesel power plant is also recognized on a straight-line basis over the term of the PSA.

*Interest*

Income is recognized as interest accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

*Dividend*

Dividend income is recognized when the Group's right to receive payment is established.

*Rental*

Revenue is recognized based on a straight-line basis over the term of the lease agreement.

*Other Income*

Revenue is recognized as they are earned.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses, finance expenses and other charges are generally recognized when the expense arises, incurred or accrued in the appropriate period.

*Cost of Sales*

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of cost of goods sold, which are provided in the period when goods are delivered.

*Cost of Power Generation*

Cost of power generation using solar energy and diesel include expenses incurred directly for the generation of revenues from power at operating project locations. Cost of power generation are expensed when incurred.

*Cost of Services*

Cost of services is incurred in the normal course of business and is provided in the period when the related service has been rendered.

*Operating Expenses*

Operating expenses consist of costs associated with the development and execution of marketing and promotional activities, excise taxes and royalties due to the government and to indigenous people, costs of shipping and loading which are expenses incurred in connection with the distribution of ores, and expenses incurred in the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense arises.

Pension Costs

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



The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as pension costs under "Personnel costs" in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized and included under "Finance expense" or "Finance income" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19 are closed to retained earnings.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

### Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the financial reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.



### *Deferred Income Tax*

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

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

### Uncertainty Over Income Tax Treatments

The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable



that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group presents uncertain tax liabilities as part of current income tax liabilities or deferred income tax liabilities.

#### Business Segments

For management purposes, the Group is organized into operating segments (mining, power and services) according to the nature of the products and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The segment locations are the basis upon which the Group reports its primary segment information for the mining segment. All of the segments operate and generate revenue only in the Philippines. Financial information on business segments is presented in Note 43.

#### Contingencies

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

#### Events after the End of the Financial Reporting Period

Post year-end events that provide additional information about the Group's position at each end of the financial reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

#### Judgments

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

##### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries, except CPDL, has been determined to be the Philippine peso. The functional currency is the currency of the primary economic environment



in which the Group operates. It is the currency that mainly influences labor, material and other costs of providing goods and services.

#### *Classifying Financial Instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

#### *Assessing Production Start Date*

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

#### *Assessing Units-of-Production Depletion*

Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in estimates is accounted for prospectively.

#### *Determining Whether Significant Influence Exists*

The Parent Company recognized its ownership interest in THNC and CBNC as investments in associates. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures*, the existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- Participation in policy-making processes through its representation on the BOD; or
- Material transactions between the entity and its investee such as the supply of all the nickel ore and/or limestone requirement of the investee and/or the use of the Group's land and infrastructure necessary for the production of the products of the investee.

Due to the nature of the Parent Company's involvement in THNC and CBNC and other various factors, the Parent Company assessed that significant influence exists (see Note 10).





The Parent Company also owns 25% ownership interest in Eurasian Consolidated Minerals Pty Ltd (ECM) which was recognized as financial assets at FVTPL. The Parent Company assessed that no significant influence exists due to:

- Absence of material transactions between ECM and the Parent Company;
- No interchange of managerial personnel; and
- Non-participation of the Parent Company in the policy-making process, as the group of shareholders that holds the majority ownership of the investee operates without regard to the views of the Parent Company.

*Determining Capitalizability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs*

Careful judgment by management is applied when deciding whether the recognition requirements for geothermal exploration and evaluation assets and deferred mine exploration costs relating to the Group's geothermal and mining projects have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal and ore reserve. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at the end of each financial reporting period.

*Determining Applicability of International Financial Reporting Interpretations Committee (IFRIC) 12, Service Concession Arrangements on the Solar Energy Service Contract (SESC) and PSA with SURNECO*

An arrangement would fall under IFRIC 12 if the two conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price, and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

The infrastructure used for its entire useful life ('whole of life assets') is within the scope of IFRIC 12 if the arrangement meets the conditions in (a).

However, based on management's judgment, the SESC entered into by JSI is outside the scope of IFRIC 12 since JSI controls the significant residual interest in the properties at the end of the concession term through ownership. For the PSA with SURNECO, management assessed that it is also outside the scope of IFRIC 12 since SURNECO does not control or regulates the services of the operator, which is the Parent Company, in using the power plant including its pricing.

*Operating Lease - Parent Company as the Lessor*

In accounting for its PSA with SURNECO, the Group's management has made a judgment that the PSA is an arrangement that contains a lease. The Parent Company has not transferred substantially all the risks and rewards incidental to the ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to transfer the power plant at the end of the PSA for no consideration. Accordingly, the Group accounted for the agreement as an operating lease. The capital recovery fees billed to SURNECO are recorded as operating revenue based on the terms of the PSA.

*Determining the Lease Term of Contracts with Renewal and Termination Options - Group as Lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customization to the leased asset).

The renewal periods for the lease of the land and buildings and improvements are not included as part of the lease term as this is not reasonably certain to be exercised. Furthermore, the periods covered by termination options, if any, are included as part of the lease term only when they are reasonably certain not to be exercised.

#### *Identifying the Enforceable Contract*

##### *Sale of Beneficiated Nickel Ore*

The Group made an irrevocable and firm commitment to sell nickel ore on free-on-board (FOB) of mother vessel terms, while the buyer made an irrevocable and firm commitment to purchase the quantity of the nickel ore under the terms and conditions specified and agreed upon in the contract. Throughout the year, the parties executed addendums to the contract to deliver nickel ore with quantity and specifications indicated therein.

The Group executed a five (5)-year contract with Pacific Metals Co., Ltd. (PAMCO), where the former expressed its wish to sell to the latter all beneficiated nickel saprolite ore which meets the specifications as stated in the contract. The Group also executed sales contracts with its major customers to sell beneficiated nickel limonite ore with specifications stated explicitly in the contracts.

While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes. Therefore, for above arrangements, the enforceable contracts have been determined to be the annual and long-term contracts and the addendum thereon.

##### *Sale of Limestone*

RTN executed a long-term contract with its customers that sets out the general terms and conditions governing each sale of limestone that occur. The enforceable contracts have been determined to be the long-term contracts.

##### *Sale of Quarry Materials*

TMC entered into a Materials Supply Agreement (MSA) with THNC to sell and deliver construction materials and THNC to purchase and take delivery of rock, sand, gravel and available laterite near the area to be used for the expansion of their tailing storage facility which is part of the auxiliary facility of their HPP project. The enforceable contracts have been determined to be each purchase order and the MSA.

##### *Rendering of Services*

The Group and its customers entered into various service agreements, such as materials handling services and power supply, that sets out the general terms and conditions governing each services that occur. The Group has the experience, expertise, equipment, facilities, and personnel required for the services needed and the customers recognizes the capability of Group and hires its services under the terms and conditions specified and agreed upon in the contract. Therefore, the enforceable contracts are the service agreements and/or PSAs entered into with different customers.



### *Identifying Performance Obligations*

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if: i) each distinct good or services in the series are transferred over time, and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

With regard to the sale of beneficiated nickel ore and limestone, the Group and its buyers agree to respectively sell and purchase a specific quantity of nickel ore and limestone during the term of the sales contracts. This performance obligation is a promise to transfer to the buyer distinct goods (i.e. nickel ore and limestone) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of the sales contracts because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer nickel ore and limestone which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

For the sale of quarry materials, TMC and THNC agree to sell and purchase a specific quantity of quarry materials during the term of each purchase order and the MSA. The performance obligation is a promise to transfer to THNC distinct goods (i.e. rock, sand, gravel and available laterite) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of each purchase order and MSA because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer quarry materials which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

With regard to the sale of power, it is considered as a performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract.

The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

### *Determining Method to Estimate Variable Consideration and Assessing the Constraint*

The Group assessed that it has variable consideration pertaining to quantity of ore shipped to customer. The variability arises from the uncertainty of final quantity and is assessed based on preliminary assay which is the Group's estimate of the most likely amount that is not highly probable to result in a significant reversal in cumulative revenue recognized when final assay is completed.

The Group's sale of power to IEMO provide unspecified quantity of energy and unspecified unit price that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The Group determined that the expected value method is the



appropriate method to use in estimating the variable consideration given the large range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., volume and unit price), the range of possible outcomes (i.e., unspecified quantity of energy and unspecified unit price), and the unpredictability of other factors outside the Group's influence.

#### *Allocating Variable Consideration*

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For the revenue from sale of power which is considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

#### *Determining the Timing of Satisfaction*

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concluded that revenues from sale of power are to be recognized over time since customers simultaneously receives and consumes the benefits as the Group supplies power.

The sale of ore, limestone and quarry materials are satisfied at a point in time. All risk of loss, damage or destruction respective of the ore delivered shall progressively pass to the buyer at the time the ore passes over the rail and into the vessel while risk of loss and damage for the limestone delivered passed to the buyer at the time the good is delivered to the buyer's plant. In case of deliveries to CBNC and THNC title, risk of loss and damage passed to the buyer at the time the ore passes into the ore preparation hopper of the respective plants. Moreover, the risk of loss and damage is also passed to the buyer at the time the quarry materials have been delivered to each delivery point.

For rendering of services, it is satisfied over time since the customer obtains the benefit simultaneously with the Group's performance of services. The fact that another entity would not need to re-perform the handling services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

#### *Identifying Methods for Measuring Progress of Revenue Recognized over Time*

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For sale of power, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on the actual energy dispatched billed at the spot price calculated during the trading interval which is a one (1) hour period commencing on the hour or based on the rates approved by the ERC.



#### *Determining the Group's Business Model*

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

#### *Defining Default and Credit-Impaired Financial Assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than thirty (30) days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - a. The borrower is experiencing financial difficulty or is insolvent;
  - b. The borrower is in breach of financial covenant(s);
  - c. An active market for that financial assets has disappeared because of financial difficulties;
  - d. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty;
  - e. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
  - f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.

An instrument is no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

#### *Identifying Forward Looking Information*

In its ECL models, the Group relies on forward looking information as economic inputs, such as:

- Dollar index rate
- Gross Domestic Product (GDP) growth
- Inflation rates

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past five (5) years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.



The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the end of the financial reporting period. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

#### *Determining Significant Increase in Credit Risk*

The criteria for determining whether credit risk has increased significantly vary and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than thirty (30) days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the related party/customer.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria can identify significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes thirty (30) days past due; and
- there is no unwarranted volatility in loss allowance from transfers between twelve (12)-month PD (stage 1) and lifetime PD (stage 2).

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than thirty (30) days past due, are considered to have a low credit risk. The provision for ECL for these financial assets is based on a twelve (12)-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

#### Estimates and Assumptions

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

#### *Estimating Ore Reserves*

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying values of property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets and depreciation and depletion charges.



The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of the reserves. The Group reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or limestone prices or production costs and other factors.

*Estimating Recoverability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs*

The application of the Group's accounting policy for geothermal exploration and evaluation assets and deferred mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

The carrying values of geothermal exploration and evaluation assets amounted to ₱1,850.0 million and ₱1,819.9 million as at December 31, 2021 and 2020, respectively (see Note 11).

Deferred mine exploration costs, included in "Other noncurrent assets" in the consolidated statements of financial position as at December 31, 2021 and 2020 amounted to ₱1,397.7 million and ₱1,348.5 million, respectively (net of allowance for impairment losses of ₱143.6 million as at December 31, 2021 and 2020; see Note 13).

*Estimating Allowance for Impairment Losses on Solar Project and Construction In-Progress*

The Group is adversely affected by the continued decline in wholesale electricity prices. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the solar project and construction in-progress related to solar farms and geothermal projects, requires significant judgment and is based on assumptions. The carrying value of the Group's solar project and construction in-progress recorded as property and equipment as at December 31, 2021 and 2020 are disclosed in Note 9 to the consolidated financial statements.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.



An impairment loss is recognized and charged to the consolidated statement of income if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. As at December 31, 2021 and 2020, the Group has not provided any allowance for impairment losses on its property and equipment.

#### *Estimating Allowance for ECL on Trade and Other Receivables*

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every end of the financial reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 5 to the consolidated financial statements.

#### *Calculating ECL*

The Group calculates ECLs based on unbiased and a three (3) probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the financial reporting period, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, a best case, and a worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

#### *Estimating Allowance for Impairment Losses on Inventories*

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and





represent the estimated future sales price of the product based on prevailing spot metals prices at the end of the financial reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the number of contained nickel ore ounces based on assay data. Stockpile tonnages are verified by periodic surveys. NRV test for materials and supplies is also performed annually and it represents the current replacement cost. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production or acquisition costs.

As at December 31, 2021 and 2020, inventories carried at lower of cost or NRV amounted to ₱2,242.9 million and ₱2,930.3 million, respectively (net of allowance for inventory losses of ₱85.8 million and ₱111.7 million, respectively; see Note 6).

*Estimating Useful Lives of Property and Equipment (except Land)*

The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of property and equipment in 2021 and 2020.

The carrying values of property and equipment except land and construction in-progress amounted to ₱10,915.4 million and ₱9,227.0 million as at December 31, 2021 and 2020, respectively (net of accumulated depreciation, amortization and depletion of ₱12,866.9 million and ₱12,990.9 million, respectively; see Note 9).

*Estimating Allowance for Impairment Losses on Investments in Associates*

Impairment review on investments in associates are performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. Management has determined that there are no events or changes in circumstances in 2021 and 2020 that may indicate that the carrying value of investments in associates may not be recoverable. No impairment loss was recognized on investments in associates in 2021 and 2020. The carrying values of the Group's investments in associates amounted to ₱3,812.6 million and ₱3,193.9 million as at December 31, 2021 and 2020, respectively (see Note 10).

*Estimating Allowance for Impairment Losses on Nonfinancial Other Assets*

The Group provides allowance for impairment losses on nonfinancial other assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other assets.

The carrying values of nonfinancial prepayments and other current assets amounted to ₱407.2 million and ₱311.9 million as at December 31, 2021 and 2020, respectively, while nonfinancial other noncurrent assets amounted to ₱3,141.7 million and ₱3,028.5 million as at December 31, 2021 and 2020 respectively (see Notes 8 and 13).



The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱56.5 million and ₱54.8 million as at December 31, 2021 and 2020, respectively (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2021 and 2020 amounted to ₱803.7 million and ₱780.1 million, respectively (see Note 13).

*Estimating the Incremental Borrowing Rate of the Leases*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

The Group's lease liabilities amounted to ₱613.9 million and ₱615.9 million as at December 31, 2021 and 2020, respectively (see Note 35). The incremental borrowing rate used in 2021 and 2020 ranges from 4.92% to 9.03%.

*Estimating Provision for Mine Rehabilitation and Decommissioning*

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision at the end of the financial reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Provision for mine rehabilitation and decommissioning amounted to ₱824.0 million and ₱664.4 million as at December 31, 2021 and 2020, respectively (see Note 16).

*Determining Pension Benefits*

The cost of defined benefit retirement as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions, as described in Note 36. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit pension liability are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit pension liability. All assumptions are reviewed at each end of the financial reporting period. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension liability.



As at December 31, 2021 and 2020, pension asset included under “Other noncurrent assets” in the consolidated statements of financial position amounted to ₱0.7 million and nil, respectively, and pension liability amounted to ₱624.1 million and ₱676.1 million, respectively (see Notes 13 and 36).

*Estimating Fair Value of Share-based Payment Transactions*

The Parent Company’s Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 19 to the consolidated financial statements. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may no longer affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized as expense in 2021, 2020 and 2019, with a corresponding charge to the equity account, amounted to ₱31.9 million, ₱71.1 million and ₱130.5 million, respectively (see Notes 19 and 27). As at December 31, 2021 and 2020, the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱473.4 million and ₱441.6 million, respectively (see Note 19).

*Estimating Recoverability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting to ₱309.7 million and ₱607.3 million as at December 31, 2021 and 2020, respectively (see Note 37).

As at December 31, 2021 and 2020, the Group has temporary difference amounting to ₱1,808.0 million and ₱1,669.7 million, respectively, for which no deferred income tax assets were recognized because it is more likely than not that the carryforward benefits will not be realized in the future (see Note 37).

*Determining Fair Values of Financial Instruments*

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 39).



#### 4. Cash and Cash Equivalents

	2021	2020
Cash on hand and with banks	₱1,371,315	₱2,034,084
Cash under managed funds	729,572	1,634,697
Cash equivalents	8,725,919	8,166,420
	<b>₱10,826,806</b>	<b>₱11,835,201</b>

Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates. The carrying value of cash and cash equivalents approximates their fair value as at the end of the financial reporting period.

The Group has US\$ denominated cash and cash equivalents amounting to US\$131.0 million, equivalent to ₱6,683.0 million, and US\$193.0 million, equivalent to ₱9,270.2 million, as at December 31, 2021 and 2020, respectively (see Note 38).

Interest income from cash and cash equivalents amounted to ₱17.2 million, ₱85.7 million and ₱239.0 million in 2021, 2020 and 2019, respectively (see Note 29).

#### 5. Trade and Other Receivables

	2021	2020
Trade (see Note 34)	₱1,265,767	₱1,011,732
Dividend receivables	255,251	171
Current portion of loan receivable (see Note 40a)	202,772	255,411
Advances to officers and employees	44,019	30,737
Interest receivable	15,633	24,150
Amounts owed by related parties (see Note 34)	8,421	7,188
Others	212,345	143,296
	<b>2,004,208</b>	<b>1,472,685</b>
Less allowance for ECL	33,112	33,765
	<b>₱1,971,096</b>	<b>₱1,438,920</b>

The movements of allowance for ECL follows:

2021	Trade	Others	Total
<b>Balances at January 1</b>	<b>₱19,911</b>	<b>₱13,854</b>	<b>₱33,765</b>
<b>Write-off</b>	-	(1,147)	(1,147)
<b>Foreign exchange adjustments</b>	494	-	494
<b>Balances at December 31</b>	<b>₱20,405</b>	<b>₱12,707</b>	<b>₱33,112</b>

2020	Trade	Others	Total
Balances at January 1	₱20,345	₱13,854	₱34,199
Foreign exchange adjustments	(434)	-	(434)
Balances at December 31	₱19,911	₱13,854	₱33,765



Trade receivables are noninterest-bearing and are generally on seven (7) to sixty (60)-days' term, except for the usage fee billed to THNC which is collected on a semi-annual basis.

Dividend receivables pertain to the cash dividends declared by CBNC and other domestic corporations which are collectible in January of the following year.

Loan receivable pertains to the loan issued by CMC to East Coast Mineral Resources Co., Inc. (East Coast), which will be settled based on the agreed repayment terms (see Note 40a).

Advances to officers and employees are noninterest-bearing and are generally subject to liquidation or collectible through salary deduction.

Interest receivable is derived from short-term cash investments placed in various local/foreign banks, which are collectible upon maturity, from debt securities and long-term negotiable instruments which are collectible either monthly, quarterly or semi-annually, and from loan issued to East Coast which is collectible based on the agreed repayment terms.

Amounts owed by related parties are noninterest-bearing with no fixed maturities and are generally collectible on demand.

Other receivables are noninterest-bearing, with no fixed maturities and are generally collectible on demand. These also include despatch receivables which are generally on seven (7) to thirty (30)-days' terms.

The Group has US\$ denominated trade and other receivables amounting to US\$27.0 million, equivalent to ₱1,377.3 million, and US\$16.1 million, equivalent to ₱772.2 million, as at December 31, 2021 and 2020, respectively (see Note 38).

## 6. Inventories

	2021	2020
Beneficiated nickel ore and limestone - at cost	<b>₱1,732,853</b>	₱2,002,047
Beneficiated nickel ore - at NRV	<b>113,126</b>	518,857
Materials and supplies:		
At NRV	<b>251,295</b>	329,177
At cost	<b>145,658</b>	30,845
Current portion of long-term stockpile inventory (see Note 12)	-	49,422
	<b>₱2,242,932</b>	₱2,930,348

The movements of allowance for impairment losses on inventories follows:

2021	Beneficiated nickel ore	Materials and supplies	Total
<b>Balances at January 1</b>	<b>₱42,524</b>	<b>₱69,191</b>	<b>₱111,715</b>
<b>Provisions</b> (see Note 31)	-	7,716	7,716
<b>Reversals</b> (see Note 31)	<b>(14,903)</b>	<b>(18,775)</b>	<b>(33,678)</b>
<b>Balances at December 31</b>	<b>₱27,621</b>	<b>₱58,132</b>	<b>₱85,753</b>



2020	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱66,523	₱47,941	₱114,464
Provisions (see Note 31)	–	21,250	21,250
Reversals (see Note 31)	(23,999)	–	(23,999)
Balances at December 31	₱42,524	₱69,191	₱111,715

As at December 31, 2021 and 2020, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱140.7 million and ₱561.4 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱309.4 million and ₱398.4 million, respectively.

Costs of inventories charged as expense amounted to ₱8,089.7 million, ₱7,696.7 million and ₱7,459.9 million in 2021, 2020 and 2019, respectively (see Notes 21, 22, 23, 25 and 26).

## 7. Financial Assets

	2021			2020		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Quoted instruments:						
Debt securities	₱3,459,091	₱1,122,284	₱460,000	₱1,826,274	₱2,548,760	₱210,000
Equity securities	2,040,037	–	–	1,431,491	–	–
Unquoted equity instruments	498,765	–	–	495,683	–	–
	₱5,997,893	₱1,122,284	₱460,000	₱3,753,448	₱2,548,760	₱210,000

The Group's financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, mutual funds, golf club shares and debt securities which are either unquoted or with quoted market prices. Quoted and unquoted instruments are carried either at fair market value or at amortized cost as at the end of the financial reporting period.

The movements in financial assets follows:

	2021			2020		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Balances at January 1	₱3,753,448	₱2,548,760	₱210,000	₱2,502,549	₱2,730,168	₱454,217
Additions	5,721,442	5,467,059	350,000	3,251,019	4,639,845	–
Disposals	(3,640,683)	(6,839,370)	–	(1,947,411)	(4,837,255)	–
Redemption	–	–	(100,000)	–	–	(244,217)
Effect of changes in foreign exchange rate (see Note 31)	94,282	–	–	(10,909)	(7,543)	–
Net valuation gains (losses) on financial assets	69,404	(54,165)	–	(41,800)	23,545	–
Balances at December 31	5,997,893	1,122,284	460,000	3,753,448	2,548,760	210,000
Less noncurrent portion	731,813	–	460,000	906,626	–	110,000
Current portion	₱5,266,080	₱1,122,284	₱–	₱2,846,822	₱2,548,760	₱100,000



The movements in “Net valuation gains on financial assets at FVOCI” presented as a separate component of equity follows:

	2021	2020
Balances at January 1	₱57,771	₱32,243
Movements recognized in equity:		
Gains (losses) recognized in equity	(82,427)	70,702
Reclassification adjustments for loss (income) included in the consolidated statements of income (see Note 31)	28,262	(47,157)
Income tax effect	(243)	1,983
Valuation gains (losses) taken into the consolidated statements of comprehensive income - net of tax	(54,408)	25,528
Balances at December 31	<b>₱3,363</b>	<b>₱57,771</b>

Dividend income from equity securities amounted to ₱32.1 million, ₱33.5 million and ₱45.5 million in 2021, 2020 and 2019, respectively, of which ₱15.3 million in 2021 and 2020 and ₱22.9 million in 2019 relates to dividends coming from investments in unquoted equity securities (see Note 31), while interest income from debt securities amounted to ₱119.0 million, ₱124.4 million and ₱130.2 million in 2021, 2020 and 2019, respectively (see Note 29).

The Group sold some of its debt and equity securities at a loss of ₱28.3 million in 2021, a gain of ₱47.2 million in 2020 and ₱19.3 million in 2019 (see Note 31).

In 2021, 2020, and 2019, the Group did not recognize any provision for ECL on its financial assets at FVOCI and at amortized cost.

As at December 31, 2021, the Group has US\$ denominated financial assets at FVTPL and at FVOCI amounting to US\$92.3 million, equivalent to ₱4,705.6 million, and nil, respectively. As at December 31, 2020, the Group has US\$ denominated financial assets at FVTPL and at FVOCI amounting to US\$47.8 million, equivalent to ₱2,293.7 million, and US\$4.2 million, equivalent to ₱199.9 million, respectively (see Note 38).

## 8. Prepayments and Other Current Assets

	2021	2020
Short-term cash investments	₱2,174,665	₱-
Prepaid rent and others	185,156	118,472
Input VAT (net of allowance for impairment losses of ₱56.5 million and ₱54.8 million as at December 31, 2021 and 2020, respectively)	110,889	110,073
Advances and deposits to suppliers and contractors (net of allowance for impairment losses of ₱1.7 million and nil as at December 31, 2021 and 2020, respectively; see Note 31)	97,556	47,210
Prepaid taxes	10,060	32,623
Tax credit certificates	3,541	3,541
	<b>₱2,581,867</b>	<b>₱311,919</b>



Short-term cash investments include local cash placements that will mature within four (4) to twelve (12) months from the end of the financial reporting period. Interest income from short-term cash investments amounted to ₱8.3 million in 2021 and nil in 2020 and 2019 (see Note 29).

Prepayments are amortized within three (3) to twelve (12) months from the end of the financial reporting period.

Input VAT represents the VAT passed on from purchases of applicable goods and services which can be recovered as tax credit against future output VAT from the sale of goods and/or services of the Group.

Advances and deposits to suppliers and contractors include security deposits and payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and/or completion of services.

Prepaid taxes include certificates of creditable withholding taxes for services rendered to other parties which can be recovered as tax credits against certain future tax liabilities of the Group.

Tax credit certificates are tax refunds received by the Group.





## 9. Property and Equipment

	2021								
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	ROU Asset - Land, Building and Improvements	Transmission Lines and Substations	Solar Farm	Construction In-progress	Total
<b>Cost:</b>									
Balances at January 1	₱292,893	₱937,173	₱13,531,757	₱4,139,824	₱699,297	₱935,921	₱1,949,969	₱7,393,620	₱29,880,454
Additions	-	-	577,615	41,761	480	-	301,047	853,530	1,774,433
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 16)	-	144,509	-	-	-	-	-	-	144,509
Capitalized borrowing cost (see Note 15)	-	-	-	-	-	-	-	5,425	5,425
Disposals	-	-	(1,711,729)	(37,876)	-	-	-	(566)	(1,750,171)
Transfers/reclassification	-	-	674,384	432,002	-	2,185	1,140,058	(2,197,989)	50,640
<b>Balances at December 31</b>	<b>292,893</b>	<b>1,081,682</b>	<b>13,072,027</b>	<b>4,575,711</b>	<b>699,777</b>	<b>938,106</b>	<b>3,391,074</b>	<b>6,054,020</b>	<b>30,105,290</b>
<b>Accumulated depreciation, amortization and depletion:</b>									
Balances at January 1	14,878	354,956	9,516,829	2,398,439	81,197	141,027	483,543	-	12,990,869
Depreciation, amortization and depletion (see Note 28)	4,438	39,513	1,037,498	278,241	42,252	33,566	145,070	-	1,580,578
Disposals	-	-	(1,686,919)	(17,647)	-	-	-	-	(1,704,566)
Transfers/reclassification	-	-	(214,932)	(1,382)	-	218,372	(2,006)	-	52
<b>Balances at December 31</b>	<b>19,316</b>	<b>394,469</b>	<b>8,652,476</b>	<b>2,657,651</b>	<b>123,449</b>	<b>392,965</b>	<b>626,607</b>	<b>-</b>	<b>12,866,933</b>
<b>Net book values</b>	<b>₱273,577</b>	<b>₱687,213</b>	<b>₱4,419,551</b>	<b>₱1,918,060</b>	<b>₱576,328</b>	<b>₱545,141</b>	<b>₱2,764,467</b>	<b>₱6,054,020</b>	<b>₱17,238,357</b>



	2020								
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	ROU Asset - Land, Building and Improvements	Transmission Lines and Substations	Solar Farm	Construction In-progress	Total
Cost:									
Balances at January 1	₱292,343	₱781,289	₱12,815,331	₱4,139,060	₱666,583	₱935,461	₱1,897,841	₱6,493,895	₱28,021,803
Additions	550	–	1,053,291	20,343	32,714	460	–	1,035,521	2,142,879
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 16)	–	155,884	–	–	–	–	–	–	155,884
Capitalized borrowing cost (see Note 15)	–	–	–	–	–	–	–	1,839	1,839
Disposals	–	–	(381,619)	(60,216)	–	–	–	–	(441,835)
Transfers/reclassification	–	–	44,754	40,637	–	–	52,128	(137,635)	(116)
Balances at December 31	292,893	937,173	13,531,757	4,139,824	699,297	935,921	1,949,969	7,393,620	29,880,454
Accumulated depreciation, amortization and depletion:									
Balances at January 1	12,562	329,165	8,948,892	2,181,778	39,081	107,593	374,540	–	11,993,611
Depreciation, amortization and depletion (see Note 28)	2,316	25,791	947,267	271,595	42,116	33,434	109,003	–	1,431,522
Disposals	–	–	(379,330)	(54,934)	–	–	–	–	(434,264)
Balances at December 31	14,878	354,956	9,516,829	2,398,439	81,197	141,027	483,543	–	12,990,869
Net book values	₱278,015	₱582,217	₱4,014,928	₱1,741,385	₱618,100	₱794,894	₱1,466,426	₱7,393,620	₱16,889,585

Construction in-progress includes borrowing cost of ₱5.4 million in 2021, ₱1.8 million in 2020, and nil in 2019 (see Note 15).

As at December 31, 2021 and 2020, there were no property and equipment pledged as collateral for the Group's borrowings

Depreciation on the excess of the fair value of the assets acquired from RTN over their corresponding book values transferred to retained earnings amounted to ₱0.4 million in 2021, 2020 and 2019.



## 10. Investments in Associates

	2021	2020
THNC	<b>₱2,904,105</b>	₱2,346,652
CBNC	<b>908,449</b>	847,259
	<b>₱3,812,554</b>	₱3,193,911

The movements in investments in associates follows:

	2021			2020		
	THNC	CBNC	Total	THNC	CBNC	Total
Balances at January 1	<b>₱1,974,700</b>	<b>₱724,410</b>	<b>₱2,699,110</b>	₱1,974,700	₱724,410	₱2,699,110
Accumulated equity in net earnings (losses):						
Balances at January 1	<b>(19,854)</b>	<b>39,092</b>	<b>19,238</b>	(248,188)	76,979	(171,209)
Equity in net income (losses)	<b>412,442</b>	<b>145,421</b>	<b>557,863</b>	228,334	(37,887)	190,447
Dividends declared	-	<b>(249,820)</b>	<b>(249,820)</b>	-	-	-
	<b>392,588</b>	<b>(65,307)</b>	<b>327,281</b>	(19,854)	39,092	19,238
Share in cumulative translation adjustment:						
Balances at January 1	<b>391,806</b>	<b>83,757</b>	<b>475,563</b>	501,872	229,962	731,834
Movements	<b>145,011</b>	<b>165,589</b>	<b>310,600</b>	(110,066)	(146,205)	(256,271)
	<b>536,817</b>	<b>249,346</b>	<b>786,163</b>	391,806	83,757	475,563
Balances at December 31	<b>₱2,904,105</b>	<b>₱908,449</b>	<b>₱3,812,554</b>	₱2,346,652	₱847,259	₱3,193,911

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱186.9 million and ₱93.6 million as at December 31, 2021 and 2020, respectively (see Note 37).

### *THNC*

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any and all ingredient and products and by-products, wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach (HPAL) facility. TMC also provides services related to the handling, hauling and transportation of materials required in the processing operations of THNC. THNC started commercial operations in October 2013.

THNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱51.00 and US\$1 = ₱48.02 as at December 31, 2021 and 2020, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱49.29 and US\$1 = ₱49.63, respectively, for the statement of income accounts for the years then ended.

The following are the summarized financial information of THNC as at and for the years ended December 31, 2021 and 2020:

	2021	2020
Current assets	<b>₱11,078,828</b>	₱9,553,413
Noncurrent assets	<b>77,864,779</b>	73,157,541
Current liabilities	<b>(56,400,879)</b>	(50,895,975)
Noncurrent liabilities	<b>(5,882,726)</b>	(10,729,506)
Net assets	<b>₱26,660,002</b>	₱21,085,473



	2021	2020
Revenue	<b>₱21,318,375</b>	₱19,593,610
Expenses	<b>(17,193,956)</b>	(17,310,268)
Net income	<b>₱4,124,419</b>	₱2,283,342

### **CBNC**

CBNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on April 4, 2002. CBNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide wherein RTN has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility. The agreement provides that it will terminate until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. Aside from supplying ore and limestone, RTN also provided ancillary services to Coral Bay HPAL facility until May 2021. Then starting June 2021, CDTN took over and provides ancillary services to Coral Bay HPAL facility.

CBNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱51.00 and US\$1 = ₱48.02 as at December 31, 2021 and 2020, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱49.29 and US\$1 = ₱49.63, respectively, for the statement of income accounts for the years then ended.

The following are the summarized financial information of CBNC as at and for the years ended December 31, 2021 and 2020:

	2021	2020
Current assets	<b>₱14,557,692</b>	₱10,652,626
Noncurrent assets	<b>17,290,586</b>	17,357,675
Current liabilities	<b>(4,109,797)</b>	(1,017,741)
Noncurrent liabilities	<b>(386,942)</b>	(252,914)
Net assets	<b>₱27,351,539</b>	₱26,739,646

	2021	2020
Revenue	<b>₱14,695,111</b>	₱11,296,983
Expenses	<b>(13,240,905)</b>	(11,675,859)
Net income (loss)	<b>₱1,454,206</b>	(₱378,876)

## **11. Geothermal Exploration and Evaluation Assets**

	2021	2020
Balances at January 1	<b>₱1,819,859</b>	₱1,811,711
Additions	<b>30,077</b>	8,148
Balances at December 31	<b>₱1,849,936</b>	₱1,819,859

Geothermal exploration and evaluation assets represent the accumulated costs incurred in connection with the exploration and development activities for the Montelago Geothermal Project. The recovery of these costs depends upon determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities.

As at December 31, 2021 and 2020, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.



## 12. Long-term Stockpile Inventory

The long-term stockpile inventory pertains to low grade ore extracted from RTN’s minesite. This amount was not recognized in RTN’s books but was recognized by the Parent Company when it acquired the controlling interest in RTN in August 2006. The low grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 34a). Subsequently, this fair value represented the cost of the long-term stockpile inventory.

The cost of the long-term stockpile inventory is periodically charged to cost of sale of ore based on the actual tonnage delivered to CBNC from the long-term stockpile. The cost of long-term stockpile inventory amounting to ₱6.9 million, ₱111.5 million and nil were charged to “Cost of sale of ore and limestone” in 2021, 2020, and 2019, respectively (see Note 21).

A portion amounting to nil and ₱49.4 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next financial reporting period, were shown as part of “Inventories” as at December 31, 2021 and 2020, respectively (see Note 6).

The carrying value of long-term stockpile inventory - net of current portion amounted to ₱42.5 million and nil as at December 31, 2021 and 2020, respectively.

## 13. Other Noncurrent Assets

	2021	2020
Deferred mine exploration costs	₱1,397,710	₱1,348,515
Advances and deposits to suppliers and contractors - net of current portion	789,817	784,958
Deferred input VAT	762,599	742,694
MRF	650,705	533,555
SDMP funds	102,405	67,637
Loan receivable - net of current portion (see Note 40a)	63,130	305,525
Computer software	62,393	36,079
Advance royalties	55,904	55,904
Advances to claimowners (see Note 40e)	47,710	47,710
Long-term negotiable instruments	40,000	40,000
Project development costs	26,756	118,287
Pension asset (see Note 36)	711	-
Others	48,763	73,345
	<b>4,048,603</b>	<b>4,154,209</b>
Less allowance for impairment losses	<b>803,727</b>	<b>780,134</b>
	<b>₱3,244,876</b>	<b>₱3,374,075</b>



The movements of allowance for impairment losses follows:

2021	Advances and deposits to suppliers and contractors	Deferred mine exploration costs	Deferred input VAT	Total
Balances at January 1	₱530,042	₱143,593	₱106,499	₱780,134
Provisions (see Note 31)	6,387	–	17,206	23,593
<b>Balances at December 31</b>	<b>₱536,429</b>	<b>₱143,593</b>	<b>₱123,705</b>	<b>₱803,727</b>

2020	Advances and deposits to suppliers and contractors	Deferred mine exploration costs	Deferred input VAT	Total
Balances at January 1	₱–	₱143,593	₱106,499	₱250,092
Reclassification from Prepayments and other current assets	514,706	–	–	514,706
Provisions (see Note 31)	15,336	–	–	15,336
<b>Balances at December 31</b>	<b>₱530,042</b>	<b>₱143,593</b>	<b>₱106,499</b>	<b>₱780,134</b>

Deferred mine exploration costs include mining rights of ₱945.6 million as at December 31, 2021 and 2020, respectively.

Advances and deposits to suppliers and contractors represent payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and/or completion of services. This includes the advances made to Asiacrest Marketing Corporation (Asiacrest) which is related to the Engineering Procurement Construction (EPC) Contract for the 100MW solar power plant in Subic. As at December 31, 2021, there was a pending case against Asiacrest and First Integrated Bonding and Insurance Co. (FIBIC), the surety which secured Asiacrest's performance of its obligation, jointly and severally liable to the extent of the value of the performance bond, for the breach of EPC contract and doubts have been raised on the financial capacity of these companies. On June 26, 2019, JSI assigned all its rights, title and interest on the advances made to Asiacrest in partial payment of the advances made by EPI to JSI. JSI and EPI have assessed the current financial position of Asiacrest and FIBIC and the increase in the credit risk associated to advance payment it has made to Asiacrest. As a result, an allowance for impairment losses amounting to ₱514.7 million was recognized as at December 31, 2021 and 2020.

Deferred input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly over the life of the capital goods or five (5) years, whichever is shorter. The balance is recoverable in future periods.

MRF, which includes the Final Mine Rehabilitation and Decommissioning Fund, is the amount deposited in local bank accounts established by the Group in compliance with the requirements of the Philippine Mining Act of 1995 as amended by Department of Environment and Natural Resources (DENR) Administrative Order No. 2005-07. The MRF is earmarked for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. Any disbursement in the MRF should be authorized by the MRF Committee, the external overseeing body charged with the duties of managing, operating, monitoring and looking after the safety of the MRF. The MRF earns interest at the respective bank deposit rates. Interest income from MRF amounted to ₱2.5 million, ₱4.1 million and ₱7.1 million in 2021, 2020 and 2019, respectively (see Note 29).



The SDMP funds shall be used for the sustainable development of the host and neighboring communities of the mine site. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the Mines and Geosciences Bureau (MGB). Interest income from SDMP funds amounted to ₱0.1 million in 2021 and ₱0.2 million in 2020 and 2019 (see Note 29).

Loan receivable pertains to the loan issued by CMC to East Coast, which will be settled based on the agreed repayment terms (see Note 40a).

Computer software pertains to computer licenses which are subject to amortization over a certain period. In 2021, 2020 and 2019, the amortization of computer software amounted to ₱39.6 million, ₱13.7 million and ₱6.1 million, respectively (see Note 28).

Advance royalties pertain to royalty payments to claimowners.

Advances to claimowners represent advance royalty payments to La Salle Mining Exploration Company (La Salle) and Kepha Mining Exploration Limited Company (Kepha; see Note 40e).

The long-term negotiable instruments will mature in 2023 and earn interest at 3.87% per annum (p.a.) and 4.50% p.a. Interest income from long-term negotiable instruments amounted to ₱1.4 million in 2021, 2020 and 2019 (see Note 29).

Project development cost pertains to the development cost incurred for various projects of EPI and JSI.

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#### 14. Trade and Other Payables

	2021	2020
Trade (see Note 34)	<b>₱693,235</b>	₱912,630
Amounts owed to related parties (see Note 34)	<b>5,475,049</b>	5,331,302
Dividends payable	<b>1,772,125</b>	627,700
Government payables:		
Excise taxes and royalties payable	<b>270,499</b>	306,296
Withholding taxes payable	<b>328,195</b>	161,335
Output VAT	<b>11,616</b>	7,406
Fringe benefit taxes (FBT) payable	<b>885</b>	972
Documentary stamp taxes (DST) payable	-	119
Accrued expenses (see Note 34)	<b>549,277</b>	529,394
Interest payable (see Note 34)	<b>15,477</b>	9,950
Deferred income	<b>7,254</b>	4,466
Retention fees payable	<b>1,451</b>	949
Contract liability	-	22,331
Others	<b>101,127</b>	118,825
	<b>₱9,226,190</b>	₱8,033,675

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled within one (1) year. Trade payables relate to payables to suppliers in the ordinary course of business. Accrued expenses substantially consist of contractor's fees, trucking and stevedoring services, hauling and rental expenses, guarantee service fees and others which are usual in the business operations of the Group.



Amounts owed to related parties pertain to advances received from Orka Geothermal Investments Pte. Ltd. (OGIPL), Orka Geothermal Holdings, Inc. (OGHI) and Biliran Geothermal Holdings Incorporated (BGHI) which were used in the drilling operations of BGI. This also includes miscellaneous expenses paid by these related parties in behalf of BGI.

Dividends payable refers to the cash dividends declared by TMC and RTN to PAMCO and Sojitz Corporation (Sojitz) in December 2021 and 2020 and payable in January of the following year. The amount is net of final withholding tax.

Government payables include withholding taxes which are normally settled within ten (10) to fifteen (15) days after the end of each financial reporting month or thirty (30) days after the end of each financial reporting quarter, and FBT which are normally settled within thirty (30) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore, limestone and quarry materials were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties. DST is normally settled within five (5) days after the close of the month when the taxable document was issued.

Interest payable on loans is settled based on the agreed payment terms.

Retention fees payable pertains to the amount retained by the Group from its suppliers/contractors and will be paid after the completion of the construction of the projects.

Contract liability pertains to the advance payment received by RTN from CBNC for the materials handling services rendered by RTN from CBNC's stockyard to plant site.

The Group has US\$ denominated trade and other payables amounting to US\$48.2 million, equivalent to ₱2,458.5 million, and US\$49.5 million, equivalent to ₱2,375.3 million, as at December 31, 2021 and 2020, respectively (see Note 38).

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## 15. Short-term and Long-term Debts

### Short-term debts

#### *Security Bank Corporation (SBC)*

On September 29, 2020, SBC approved the renewal of EPI's original loan facility to the extent of ₱1,500.0 million. On July 20, 2020 and September 10, 2020, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively. Proceeds of the loan were used by EPI to settle the promissory notes under the original SBC loan facility, which matured in 2020.

At maturity date, EPI requested another approval from SBC for the renewal of their original loan facility to the extent of ₱1,500.0 million. On July 15, 2021 and September 3, 2021, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively, which was used to settle the promissory notes under the original SBC loan facility, which matured in 2021.

The loan facility is secured by a continuing suretyship of the Parent Company (see Note 40r).





Details of the drawdowns are as follows:

2021					
Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 15, 2021	July 8, 2022	4.50%	₱300,000	₱2,207
Second	September 3, 2021	August 26, 2022	4.50%	1,200,000	8,803
				<b>₱1,500,000</b>	<b>₱11,010</b>

2020					
Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 20, 2020	July 15, 2021	5.75%	₱300,000	₱2,219
Second	September 10, 2020	September 3, 2021	5.75%	1,200,000	8,828
				<b>₱1,500,000</b>	<b>₱11,047</b>

The carrying amount of short-term debt with SBC, net of unamortized debt issue cost, follows:

	2021	2020
Loans payable	<b>₱1,500,000</b>	₱1,500,000
Less unamortized debt issue cost	<b>(7,084)</b>	(7,346)
Balances at December 31	<b>₱1,492,916</b>	₱1,492,654

Debt issue costs pertain to DST and other transaction costs incurred in connection with the availment of the loans. These are deducted from the amount of loans payable and are amortized using the EIR method.

The movements of the unamortized debt issue costs in 2021 and 2020 are as follows:

	2021	2020
Balances at January 1	<b>₱7,346</b>	₱7,596
Additions	<b>11,010</b>	11,047
Amortization	<b>(11,272)</b>	(11,297)
Balances at December 31	<b>₱7,084</b>	₱7,346

Interest expense in 2021 and 2020 are summarized below:

	2021	2020
Interest on loans	<b>₱79,771</b>	₱93,750
Amortization of debt issue costs	<b>11,272</b>	11,297
	<b>₱91,043</b>	₱105,047

There were no capitalized borrowing costs pertaining to short-term debts in 2021, 2020 and 2019.

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into



any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise, vis-a-vis such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at December 31, 2021 and 2020, EPI has been compliant with the covenants contained in the loan facility and agreements.

Long-term debts

Long-term debts of the following subsidiaries are as follows:

	2021	2020
TMC (see Note 34)	<b>₱847,858</b>	₱882,423
JSI (see Note 34)	<b>108,501</b>	95,026
	<b>956,359</b>	977,449
Less noncurrent portion:		
TMC	<b>758,610</b>	798,383
JSI	<b>108,501</b>	95,026
	<b>867,111</b>	893,409
Current portion	<b>₱89,248</b>	₱84,040

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former an unsecured loan facility amounting to a total of US\$35.0 million at a prevailing one hundred eighty (180)-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 2.00% spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone (TSEZ).

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

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any Governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all Governmental approvals necessary to perform the obligations. As at December 31, 2021 and 2020, TMC is in compliance with the restrictions.

Interest expense in 2021, 2020 and 2019 amounted to ₱19.4 million, ₱31.5 million and ₱49.6 million, respectively (see Notes 30 and 34).

The US\$ denominated long-term debts amounted to US\$16.6 million, equivalent to ₱847.9 million, and US\$18.4 million, equivalent to ₱882.4 million, as at December 31, 2021 and 2020, respectively (see Note 38).



### JSI Loan

In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US\$2.2 million to be used for the Phase 3A - 30MW solar project.

On September 23, 2021, NAC, JSI, EPI and TBEA executed the Supplemental Agreement on Shareholder Advances to agree on the shareholder advances for JSI's development of Phase 3B - 38MW. Under the terms of the Supplemental Agreement, TBEA grants JSI a loan facility amounting to US\$2.9 million subject to 5.00% interest p.a. The loan principal and interest are payable within five (5) years from the date of remittance to JSI. As at December 31, 2021, there were no drawdowns yet on the said loan facility.

Details of the drawdowns are as follows:

Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 23, 2020	June 17, 2025	5.00%	₱60,806	₱456
Second	August 27, 2020	June 17, 2025	5.00%	24,127	181
Third	November 23, 2020	June 17, 2025	5.00%	10,761	81
Fourth	February 26, 2021	June 17, 2025	5.00%	13,422	101
				<b>₱109,116</b>	<b>₱819</b>

The carrying amount of long-term debts with TBEA, net of unamortized debt issue cost, follows:

	2021	2020
Loans payable	<b>₱109,116</b>	₱95,694
Less unamortized debt issue cost	<b>(615)</b>	(668)
<b>Balances at December 31</b>	<b>₱108,501</b>	<b>₱95,026</b>

The movements of the unamortized debt issue costs in 2021 and 2020 are as follows:

	2021	2020
Balances at January 1	<b>₱668</b>	₱-
Additions	<b>101</b>	718
Amortization	<b>(154)</b>	(50)
<b>Balances at December 31</b>	<b>₱615</b>	<b>₱668</b>

The capitalized borrowing cost pertaining to this loan amounted to ₱5.4 million in 2021, ₱1.8 million in 2020, and nil in 2019 (see Notes 9 and 34).

## **16. Provision for Mine Rehabilitation and Decommissioning**

	2021	2020
Balances at January 1	<b>₱664,379</b>	₱493,731
Effect of change in estimate (see Note 9)	<b>144,509</b>	155,884
Accretion of interest on provision for mine rehabilitation and decommissioning (see Note 30)	<b>15,074</b>	14,764
<b>Balances at December 31</b>	<b>₱823,962</b>	<b>₱664,379</b>



Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

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## 17. Long-term Payable

On December 14, 2015, CExCI and the stockholders of Newminco entered into a Share Purchase Agreement (SPA) wherein CExCI agreed to acquire 100% equity interest of Newminco, on a deferred payment basis, for a total consideration of ₱64.8 million.

Upon execution of the SPA, a downpayment of ₱30.8 million was paid and the remaining balance of ₱34.0 million, which is noninterest-bearing, is payable over a seven (7) year period. The total principal is payable in annual installment of ₱5.0 million starting in 2017 up to 2020 and annual installment of ₱7.0 million for the remaining term of the SPA. The unamortized discount on deferred payment, at 4.58% risk free rate, amounted to ₱0.3 million and ₱0.9 million as at December 31, 2021 and 2020, respectively.

The carrying amount of long-term payable, net of unamortized discount, follows:

	2021	2020
Long-term payable	<b>₱7,000</b>	₱14,000
Less unamortized discount	<b>307</b>	907
	<b>6,693</b>	13,093
Less noncurrent portion	-	6,093
Current portion	<b>₱6,693</b>	₱7,000

In 2021, 2020 and 2019, the accretion of interest on long-term payable amounted to ₱0.6 million, ₱0.8 million and ₱1.0 million, respectively (see Note 30).



## 18. Equity

### Capital Stock

The capital structure of the Parent Company follows:

	2021	2020
Common stock - ₱0.50 par value per share		
Authorized - 19,265,000,000 shares		
Issued - 13,685,272,117 shares in 2021 and 2020		
Outstanding - 13,630,850,117 shares in 2021 and 2020	<b>₱6,842,636</b>	₱6,842,636
Preferred stock - ₱0.01 par value per share		
Authorized and Issued - 720,000,000 shares	<b>7,200</b>	7,200
	<b>₱6,849,836</b>	₱6,849,836

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7.00% p.a.

### Issued Capital Stock

Beginning November 22, 2010, the common shares of the Parent Company were listed and traded in PSE with an initial public offering of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱1.48 per share after the stock dividends.

As at December 31, 2021 and 2020, a total of 3,910,132,966 common shares and 4,034,433,405 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty-four (84) and eighty-three (83) shareholders, respectively, while the balance of 9,720,717,151 common shares and 9,596,416,712 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

The movements in outstanding common stock follows:

	Number of Shares		
	Issued	Treasury	Outstanding
Balances at December 31, 2019	13,685,272,117	(33,734,000)	13,651,538,117
Acquisitions during the year	-	(20,688,000)	(20,688,000)
Balances at December 31, 2020	13,685,272,117	(54,422,000)	13,630,850,117
Acquisitions during the year	-	-	-
Balances at December 31, 2021	13,685,272,117	(54,422,000)	13,630,850,117

On April 5, 2018, the BOD of the Parent Company approved the adoption of ESOP (2018 ESOP; the Plan) which was ratified by the Parent Company's stockholders on May 28, 2018. On February 18, 2020, the Plan was approved by the SEC. A total of 375.0 million shares of stock were reserved for issue under the New Plan.

The basic terms and conditions of the stock option plans are disclosed in Note 19.



### Dividends

Dividends declared and paid by the Parent Company follows:

<b>Year</b>	<b>Type of Dividend</b>	<b>Date of Declaration</b>	<b>Date of Record</b>	<b>Amount Declared</b>	<b>Dividend per Share</b>	<b>Date of Payment</b>
2021	<i>Cash Dividends</i>					
	Regular	March 11, 2021	March 25, 2021	₱1,226,777	₱0.09	April 8, 2021
	Special	March 11, 2021	March 25, 2021	1,908,319	0.14	April 8, 2021
	Special	November 4, 2021	November 18, 2021	2,998,787	0.22	December 2, 2021
2020	<i>Cash Dividends</i>					
	Regular	March 13, 2020	March 27, 2020	₱1,090,638	₱0.08	April 8, 2020
	Special	August 7, 2020	August 24, 2020	2,998,787	0.22	September 4, 2020
2019	<i>Cash Dividends</i>	March 14, 2019	March 28, 2019	₱957,248	₱0.07	April 12, 2019

### Appropriation of Retained Earnings

#### *Parent Company*

On November 27, 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the Parent Company. And on November 6, 2020, the Parent Company's BOD approved the reversal of the appropriation of up to ₱1,365.0 million which took effect on December 2, 2020, the end of the Parent Company's share buy-back program.

#### *HMC*

On December 15, 2021, the BOD of HMC approved the reversal of the ₱54.9 million appropriation following the completion of the purchase of mining equipment.

On December 17, 2020, the BOD of HMC approved the reversal of the ₱85.6 million appropriation following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱54.9 million for HMC's capital expenditures for the year 2021.

On December 20, 2019, the BOD of HMC approved the reversal of the ₱318.6 million appropriation following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱85.6 million for HMC's capital expenditures for the year 2020.

### Treasury Stock

On November 27, 2018, the BOD of the Parent Company approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Parent Company's common shares up to an aggregate value of ₱1,500.0 million. As at December 31, 2021 and 2020, the Parent Company purchased from the market a total of 54,422,000 of its own common shares at an average price of ₱2.4625 per share or a total of ₱134.0 million.

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## 19. Executive Stock Option Plan

### 2018 ESOP

On April 5, 2018, the Plan was approved by the Parent Company's BOD and was ratified by the stockholders on May 28, 2018. On February 18, 2020, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 155.0 million shares, which was further increased to 375.0 million shares, allocated to the Parent Company's eligible participants.



2. The eligible participants are the directors and officers of the Parent Company and its operating subsidiaries, including CExCI, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱4.38, which is equivalent to ₱2.43 after the effect of stock dividends.
4. The Plan was granted on June 15, 2018.
5. The term of the Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% after the first year of the Plan.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair value of the stock option is ₱2.19, which was estimated as at grant date, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the stock options at effective grant date:

2018 ESOP	
Grant date	June 15, 2018
Spot price per share	₱5.01
Exercise price	₱4.38
Expected volatility	45.34%
Option life	5.00 years
Dividend yield	2.16%
Risk-free rate	5.93%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Except for the increase in number of shares reserved for the exercise of 2018 ESOP, there have been no modifications or cancellations of stock options in 2021 and 2020.

The following table illustrates the number of stock options and its movements during the year:

	Number of Options		Weighted Average Exercise Price	
	2021	2020	2021	2020
<i>2018 ESOP</i>				
Balances at January 1 and December 31	<b>278,947,780</b>	278,947,780	<b>₱2.43</b>	₱2.43

As at March 10, 2022, the Parent Company is still waiting for SEC's approval of the exemption from registration of 123,976,792 common shares, which shall form part of the ESOP.

The movements in the cost of share-based payment plan included in equity are as follows:

	2021	2020
Balances at January 1	<b>₱441,589</b>	₱370,522
Stock option expense (see Note 27)	<b>31,853</b>	71,067
Balances at December 31	<b>₱473,442</b>	₱441,589



The weighted average remaining contractual life of options outstanding under the Plan was one and a half (1.5) years and two and a half (2.5) years as at December 31, 2021 and 2020, respectively.

In 2021, 2020 and 2019, the cost of share-based payment plan amounting to ₱31.9 million, ₱71.1 million and ₱130.5 million, respectively, are included in “Personnel costs” (see Note 27).

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## 20. Earnings Per Share

The following reflects the income and share data used in the basic and diluted EPS computations:

	2021	2020	2019
Net income attributable to equity holders of the parent	<b>₱7,812,575</b>	₱4,068,732	₱2,684,969
Preferred stock dividends	<b>504</b>	504	504
Net income attributable to equity holders of the parent for basic earnings	<b>7,812,071</b>	4,068,228	2,684,465
Dividends on dilutive potential ordinary shares	—	—	—
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	<b>₱7,812,071</b>	₱4,068,228	₱2,684,465
Weighted average number of common shares for basic EPS	<b>13,630,850,117</b>	13,633,815,950	13,670,302,784
Effect of dilution from stock options	—	—	—
Weighted average number of common shares adjusted for the effect of dilution	<b>13,630,850,117</b>	13,633,815,950	13,670,302,784
Basic/Diluted EPS	<b>₱0.57</b>	₱0.30	₱0.20

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the financial reporting period and the date of authorization of the consolidated financial statements.

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## 21. Cost of Sales

	2021	2020	2019
Cost of sale of:			
Ore	<b>₱7,301,777</b>	₱7,027,050	₱6,742,188
Limestone	<b>220,822</b>	258,285	262,668
Quarry materials	<b>89,242</b>	234,646	101,014
	<b>₱7,611,841</b>	₱7,519,981	₱7,105,870





Details of cost of sales follow:

	2021	2020	2019
Production overhead	<b>₱2,676,016</b>	₱2,479,856	₱3,213,083
Outside services	<b>1,866,873</b>	1,827,914	2,105,632
Personnel costs (see Note 27)	<b>1,424,974</b>	1,260,095	1,233,786
Depreciation, amortization and depletion (see Note 28)	<b>925,525</b>	799,951	851,193
Long-term stockpile inventory sold (see Note 12)	<b>6,887</b>	111,485	–
	<b>6,900,275</b>	6,479,301	7,403,694
Net changes in beneficiated nickel ore and limestone	<b>711,566</b>	1,040,680	(297,824)
	<b>₱7,611,841</b>	₱7,519,981	₱7,105,870

Production overhead consists of fuel, oil and lubricants, materials and supplies, equipment rentals and other miscellaneous charges.

Outside services pertain to services offered by the contractors related to the mining activities of the Group. These services include, but are not limited to, hauling, stevedoring, maintenance, security and equipment rental.

## 22. Cost of Power Generation

	2021	2020	2019
Depreciation and amortization (see Note 28)	<b>₱248,350</b>	₱213,975	₱211,076
Overhead	<b>50,788</b>	50,711	57,045
Personnel costs (see Note 27)	<b>24,939</b>	25,346	22,742
Outside services	<b>22,339</b>	15,724	14,323
Materials and supplies	<b>14,705</b>	7,494	25,043
Purchased power	–	–	33,561
Distribution wheeling service charges	–	–	13,677
	<b>₱361,121</b>	₱313,250	₱377,467

Overhead in cost of power generation consists of insurance, taxes and licenses, utilities and other miscellaneous charges.

Distribution wheeling service charges pertain to the payments made to Manila Electric Company (Meralco) and Leyte V Electric Cooperative (LEYECO V) for the conveyance of electricity through Meralco's and LEYECO V's distribution systems.



### 23. Cost of Services

	2021	2020	2019
Personnel costs (see Note 27)	<b>₱129,603</b>	₱126,849	₱101,507
Depreciation (see Note 28)	<b>107,717</b>	104,996	107,460
Overhead	<b>77,182</b>	87,329	85,999
Outside services	<b>7,120</b>	9,388	9,846
Equipment operating cost	–	–	27,007
	<b>₱321,622</b>	₱328,562	₱331,819

### 24. Excise Taxes and Royalties

	2021	2020	2019
Royalties (see Notes 40e and 40r)	<b>₱1,655,924</b>	₱1,410,243	₱1,113,324
Excise taxes (see Note 40e)	<b>1,050,005</b>	834,159	673,999
	<b>₱2,705,929</b>	₱2,244,402	₱1,787,323

### 25. Shipping and Loading Costs

	2021	2020	2019
Outside services	<b>₱1,461,231</b>	₱1,422,660	₱1,124,285
Supplies and fuel, oil and lubricants	<b>456,420</b>	336,107	342,590
Depreciation and amortization (see Note 28)	<b>160,382</b>	156,616	127,992
Personnel costs (see Note 27)	<b>123,957</b>	117,006	91,960
Other services and fees	<b>53,580</b>	90,390	80,189
	<b>₱2,255,570</b>	₱2,122,779	₱1,767,016

### 26. General and Administrative

	2021	2020	2019
Personnel costs (see Note 27)	<b>₱509,555</b>	₱521,300	₱514,501
Depreciation and amortization (see Note 28)	<b>162,389</b>	152,887	98,065
Outside services	<b>130,874</b>	112,877	120,464
Taxes and licenses	<b>121,158</b>	114,724	138,416
Supplies	<b>46,057</b>	26,730	37,555
Publicity and promotion	<b>27,331</b>	17,189	35,808
Dues and subscription	<b>25,366</b>	25,500	20,202
Transportation and travel	<b>24,190</b>	20,682	41,624
Communications, light and water	<b>22,688</b>	13,817	11,322
Repairs and maintenance	<b>9,612</b>	19,222	12,710
Rentals	<b>9,319</b>	9,446	9,782

(Forward)



	2021	2020	2019
Entertainment, amusement and recreation	<b>₱8,926</b>	₱10,093	₱21,948
Donations	<b>83</b>	5,705	5,396
Others	<b>48,359</b>	67,494	88,191
	<b>₱1,145,907</b>	₱1,117,666	₱1,155,984

Other general and administrative expense is composed of other service fees and other numerous transactions with minimal amounts.

## 27. Personnel Costs

	2021	2020	2019
Salaries, wages and employee benefits	<b>₱2,050,632</b>	₱1,867,870	₱1,748,500
Pension cost (see Note 36)	<b>130,543</b>	111,659	85,477
Cost of share-based payment plan (see Note 19)	<b>31,853</b>	71,067	130,519
	<b>₱2,213,028</b>	₱2,050,596	₱1,964,496

The amounts of personnel costs are distributed as follows:

	2021	2020	2019
Cost of:			
Sales (see Note 21)	<b>₱1,424,974</b>	₱1,260,095	₱1,233,786
Services (see Note 23)	<b>129,603</b>	126,849	101,507
Power generation (see Note 22)	<b>24,939</b>	25,346	22,742
General and administrative (see Note 26)	<b>509,555</b>	521,300	514,501
Shipping and loading costs (see Note 25)	<b>123,957</b>	117,006	91,960
	<b>₱2,213,028</b>	₱2,050,596	₱1,964,496

## 28. Depreciation, Amortization and Depletion

The amounts of depreciation, amortization and depletion expense, including amortization of ROU assets and computer software, are distributed as follows:

	2021	2020	2019
Cost of:			
Sales (see Note 21)	<b>₱925,525</b>	₱799,951	₱851,193
Power generation (see Note 22)	<b>248,350</b>	213,975	211,076
Services (see Note 23)	<b>107,717</b>	104,996	107,460
General and administrative (see Note 26)	<b>162,389</b>	152,887	98,065
Shipping and loading costs (see Note 25)	<b>160,382</b>	156,616	127,992
Others	<b>15,776</b>	16,835	8,579
	<b>₱1,620,139</b>	₱1,445,260	₱1,404,365



The above is distributed as follows:

	2021	2020	2019
Property and equipment (see Note 9)	<b>₱1,580,578</b>	₱1,431,522	₱1,398,310
Computer software under “Other noncurrent assets” (see Note 13)	<b>39,561</b>	13,738	6,055
	<b>₱1,620,139</b>	₱1,445,260	₱1,404,365

## 29. Finance Income

	2021	2020	2019
Interest income from:			
Financial assets at (see Note 7):			
FVOCI	<b>₱93,056</b>	₱100,541	₱106,372
FVTPL	<b>16,570</b>	11,914	5,003
Amortized cost	<b>9,418</b>	11,958	18,787
Cash and cash equivalents (see Note 4)	<b>17,246</b>	85,722	239,018
Loans (see Note 40a)	<b>13,548</b>	22,393	25,862
Short-term cash investments (see Note 8)	<b>8,264</b>	–	–
MRF (see Note 13)	<b>2,499</b>	4,136	7,053
Long-term negotiable instruments (see Note 13)	<b>1,390</b>	1,390	2,387
SDMP funds (see Note 13)	<b>63</b>	211	246
Pension (see Note 36)	–	28	870
Others	<b>21</b>	–	–
	<b>₱162,075</b>	₱238,293	₱405,598

## 30. Finance Expenses

	2021	2020	2019
Interest expense on:			
Short-term debt (see Note 15)	<b>₱91,043</b>	₱105,047	₱117,722
Pension (see Note 36)	<b>27,054</b>	21,031	24,922
Long-term debts (see Notes 15 and 34)	<b>19,363</b>	31,509	65,642
Accretion of interest on:			
Lease liabilities (see Note 35)	<b>54,554</b>	54,344	55,342
Provision for mine rehabilitation and decommissioning (see Note 16)	<b>15,074</b>	14,764	14,738
Long-term payable (see Note 17)	<b>600</b>	793	977
Guarantee service fee (see Notes 34 and 40f)	<b>36,393</b>	47,014	64,312
	<b>₱244,081</b>	₱274,502	₱343,655



31. **Other Income (Charges) - net**

	<b>2021</b>	2020	2019
Foreign exchange gains (losses) - net	<b>₱558,851</b>	(₱450,842)	(₱263,694)
Gain (loss) on:			
Changes in fair value of financial assets at FVTPL (see Note 7)	<b>69,404</b>	(41,800)	347,725
Casualty	<b>(63,384)</b>	-	-
Sale or redemption of financial assets at (see Note 7):			
FVOCI	<b>(28,262)</b>	47,157	19,055
Amortized cost	-	-	200
Write-off of input VAT	<b>(19,321)</b>	(8,649)	(1,624)
Sale of property and equipment	<b>8,360</b>	(4,353)	(14,020)
Write-off of project development costs and other deposits (see Notes 40h and 40q)	-	(4,367)	(99,139)
Exchange of assets (see Note 40q)	-	-	39,986
Sale of investment in subsidiaries	-	-	881
Rent income	<b>83,898</b>	29,796	14,755
Reversals of allowance (provisions) for impairment losses on:			
Input VAT (see Note 13)	<b>(17,206)</b>	-	(725)
Beneficiated nickel ore inventory (see Note 6)	<b>14,903</b>	23,999	-
Materials and supplies (see Note 6)	<b>11,059</b>	(21,250)	(11,591)
Advances and deposits to suppliers and contractors (see Notes 8 and 13)	<b>(8,072)</b>	(15,336)	-
Dividend income (see Note 7)	<b>32,073</b>	33,500	45,539
Trust fee	<b>(27,151)</b>	(11,089)	(14,287)
Reversals of allowance for ECL on trade and other receivables	-	-	16,829
Others - net	<b>86,441</b>	160,025	88,934
	<b>₱701,593</b>	(₱263,209)	₱168,824



Breakdown of foreign exchange gains (losses) - net follows:

	2021	2020	2019
Realized foreign exchange gains (losses) - net	<b>₱352,332</b>	(₱304,854)	(₱105,952)
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	<b>182,856</b>	(185,786)	(212,905)
Trade and other payables	<b>(138,007)</b>	(664)	44,287
Prepayments and other current assets	<b>94,700</b>	–	–
Financial assets at (see Note 7):			
FVTPL	<b>94,282</b>	(10,909)	(18,912)
FVOCI	–	(7,543)	(26,843)
Long-term debt	<b>(40,982)</b>	61,061	55,612
Trade and other receivables	<b>13,670</b>	(2,147)	1,019
	<b>₱558,851</b>	(₱450,842)	(₱263,694)

### 32. Revenue from Contracts with Customers

#### Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by location of the customers for sale of ore, limestone and quarry materials, type of services rendered for sale of services and others and source of electricity for sale of power for the years ended December 31, 2021 and 2020:

2021	China	Local	Japan	Total
Sale of (see Note 34):				
Ore	<b>₱19,445,867</b>	<b>₱4,277,981</b>	<b>₱2,130,243</b>	<b>₱25,854,091</b>
Limestone	–	<b>244,929</b>	–	<b>244,929</b>
Quarry materials	–	<b>151,093</b>	–	<b>151,093</b>
	<b>₱19,445,867</b>	<b>₱4,674,003</b>	<b>₱2,130,243</b>	<b>₱26,250,113</b>
2020	China	Local	Japan	Total
Sale of (see Note 34):				
Ore	₱15,832,093	₱3,369,983	₱894,276	₱20,096,352
Limestone	–	360,277	–	360,277
Quarry materials	–	397,340	–	397,340
	₱15,832,093	₱4,127,600	₱894,276	₱20,853,969
2019	China	Local	Japan	Total
Sale of (see Note 34):				
Ore	₱10,845,464	₱3,541,206	₱1,868,881	₱16,255,551
Limestone	–	414,185	–	414,185
Quarry materials	–	179,579	–	179,579
	₱10,845,464	₱4,134,970	₱1,868,881	₱16,849,315



	2021	2020	2019
<b>Services and others</b> (see Note 34)			
Materials handling and others	<b>₱646,070</b>	₱629,454	₱681,728
<b>Sale of power</b> (see Notes 40g and 40r)			
Solar	<b>₱341,438</b>	₱124,144	₱235,557
Diesel	<b>32,155</b>	29,675	44,745
	<b>₱373,593</b>	₱153,819	₱280,302

Timing of recognition:

	2021	2020	2019
At a point in time	<b>₱26,250,113</b>	₱20,853,969	₱16,849,315
Over time	<b>1,019,663</b>	783,273	962,030
	<b>₱27,269,776</b>	₱21,637,242	₱17,811,345

All revenue from sale of ore, limestone and quarry materials are recognized at a point in time when control transfers to the customer, which occurs at a point in time when the ore is physically transferred into a vessel or when the ore passes into the ore preparation hopper of the HPAL plants and when the limestone and/or quarry materials were delivered to the buyer.

Revenue from sale of services and others is recognized over time or as the services are rendered while revenue from sale of power is recognized over time based on the actual energy dispatched.

### 33. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI:

	Principal Place of Business	2021	2020
RTN	Philippines	<b>40.00%</b>	40.00%
TMC	Philippines	<b>35.00%</b>	35.00%

Equity attributable to material NCI:

	2021	2020
RTN	<b>₱1,482,529</b>	₱1,075,226
TMC	<b>1,799,613</b>	2,254,018

Net income attributable to material NCI:

	2021	2020
RTN	<b>₱1,139,999</b>	₱587,884
TMC	<b>1,802,901</b>	934,380



Other comprehensive income (loss) attributable to material NCI:

	2021	2020
RTN	<b>(₱12,696)</b>	(₱39,701)
TMC	<b>17,137</b>	(18,370)

The summarized financial information of these subsidiaries are based on amounts before inter-company eliminations.

The summarized statements of comprehensive income for the years ended December 31, 2021 and 2020 follows:

	2021		2020	
	RTN	TMC	RTN	TMC
Revenues	<b>₱6,440,431</b>	<b>₱12,534,719</b>	₱4,884,812	₱9,529,290
Cost of sales and services	<b>(2,028,790)</b>	<b>(3,072,156)</b>	(2,073,412)	(3,072,553)
Operating expenses	<b>(1,001,961)</b>	<b>(2,845,391)</b>	(785,638)	(2,404,992)
Finance income (expense) - net	<b>(6,343)</b>	<b>(32,155)</b>	3,584	(24,802)
Other income (charges) - net	<b>333,959</b>	<b>179,614</b>	67,059	(219,637)
Income before income tax	<b>3,737,296</b>	<b>6,764,631</b>	2,096,405	3,807,306
Provision for income tax - net	<b>(887,299)</b>	<b>(1,613,485)</b>	(626,694)	(1,137,649)
Net income	<b>2,849,997</b>	<b>5,151,146</b>	1,469,711	2,669,657
Other comprehensive income (loss) - net	<b>(31,740)</b>	<b>48,963</b>	(99,253)	(52,484)
<b>Total comprehensive income - net</b>	<b>₱2,818,257</b>	<b>₱5,200,109</b>	₱1,370,458	₱2,617,173
Attributable to NCI	<b>₱1,127,303</b>	<b>₱1,820,038</b>	₱548,183	₱916,010
Dividends to NCI	<b>720,000</b>	<b>2,275,000</b>	512,000	1,190,000

The summarized statements of financial position as at December 31, 2021 and 2020 follows:

	RTN		TMC	
	2021	2020	2021	2020
Current assets	<b>₱4,419,665</b>	₱3,499,955	<b>₱7,494,921</b>	₱5,522,099
Noncurrent assets	<b>1,810,566</b>	1,347,020	<b>4,462,072</b>	4,783,594
Current liabilities	<b>(1,927,658)</b>	(1,742,788)	<b>(5,510,706)</b>	(2,509,475)
Noncurrent liabilities	<b>(596,251)</b>	(416,122)	<b>(1,304,536)</b>	(1,356,167)
<b>Total equity</b>	<b>₱3,706,322</b>	₱2,688,065	<b>₱5,141,751</b>	₱6,440,051
Attributable to equity holders of parent	<b>₱2,223,793</b>	₱1,612,839	<b>₱3,342,138</b>	₱4,186,033
NCI	<b>1,482,529</b>	1,075,226	<b>1,799,613</b>	2,254,018

The summarized cash flow information for the years ended December 31, 2021 and 2020 follows:

	RTN		TMC	
	2021	2020	2021	2020
Operating	<b>₱1,874,283</b>	₱1,908,396	<b>₱4,751,004</b>	₱4,067,206
Investing	<b>(608,623)</b>	(485,818)	<b>(349,271)</b>	(566,624)
Financing	<b>(1,504,391)</b>	(751,383)	<b>(3,310,255)</b>	(3,926,154)
Net increase (decrease) in cash and cash equivalents	<b>(₱238,731)</b>	₱671,195	<b>₱1,091,478</b>	(₱425,572)





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### 34. **Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Set out on next page are the Group's transactions with related parties in 2021, 2020 and 2019, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2021 and 2020.



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2021	2020	2019	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<i>Stockholders</i>															
<b>PAMCO</b>															
Sale of ore	₱2,038,708	₱894,276	₱1,868,881	₱119,426	₱151,507	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	80% to 90% upon receipt of documents and 20% to 10% after the final dry weight and applicable assay have been determined; noninterest-bearing	Unsecured; no guarantee
Draft survey fee	191	207	262	-	-	-	-	-	-	-	-	-	-	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch (demurrage)	5,766	337	(12,768)	579	-	-	-	-	-	-	-	-	-	Collectible/payable on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	1,321	-	619	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>Sumitomo Metal Mining Philippine Holdings Corporation</b>															
Short-term advances	-	-	1,250	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>Sumitomo Metal Mining Co., Ltd. (SMM)</b>															
Sale of ore	91,535	-	-	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee (see Notes 30 and 40f)	36,393	47,014	64,312	-	-	10,547	10,896	-	-	-	-	-	-	Every twenty first (21st) of February, March, August and September	Unsecured
<i>With Common Stockholders</i>															
<b>Manta</b>															
Rentals, dues and utilities	43,392	41,524	₱35,710	-	-	686	161	-	-	-	-	-	-	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	9,129	9,093	9,024	-	-	-	-	-	-	-	-	-	-	Collectible at the end of the lease; noninterest-bearing	Unsecured; no guarantee
Sale of power (see Note 40r)	-	-	19,091	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Short-term advances	12	-	-	-	-	-	-	1	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2021	2020	2019	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<i>Associates</i>															
<b>CBNC</b>															
Sale of ore and limestone	₱1,959,126	₱1,468,986	₱1,516,052	₱315,433	₱104,158	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	Thirty (30) days term; noninterest-bearing	Unsecured; no guarantee
Materials handling	233,504	206,308	232,868	32,239	119,352	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Infrlease and throughput	4,879	4,918	7,429	6,024	5,307	-	-	-	-	-	-	-	-	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	200,501	216,429	130,735	93,079	24,175	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
<b>THNC</b>															
Sale of ore	2,513,542	2,157,964	2,319,198	186,900	192,102	-	-	-	-	-	-	-	-	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Sale of quarry materials	151,093	397,340	179,579	10,144	8,338	-	-	-	-	-	-	-	-	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service (see Note 40b)	115,286	131,120	148,031	27,824	29,898	-	-	-	-	-	-	-	-	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Materials handling	131,832	253,160	259,713	13,456	14,815	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Rental income (see Note 40m)	7,062	6,942	6,942	-	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit payable	-	-	119	-	-	3,352	3,471	-	-	-	-	-	-	Collectible at the end of the lease term; noninterest-bearing	Unsecured; no guarantee
Loan facility	-	-	-	-	-	-	-	-	-	-	-	847,858	882,423	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 15 and 30)	19,363	31,509	49,581	-	-	3,582	3,885	-	-	-	-	-	-	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Short-term advances	20,499	18,818	27,420	-	-	-	-	3,507	2,275	-	-	-	-	Collectible upon billing; noninterest-bearing; with allowance for ECL of ₱4.2 million as at December 31, 2021 and 2020	Unsecured; no guarantee

(Forward)



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2021	2020	2019	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<i>Other Related Parties</i>															
<b>OGIPL</b>															
Short-term advances	<b>₱143,747</b>	₱1,086	₱43,633	₱-	₱-	₱-	₱-	₱-	₱-	<b>₱2,341,587</b>	₱2,197,840	₱-	₱-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>OGHI</b>															
Short-term advances		-	-	-	-	-	-	<b>666</b>	666	<b>2,225,413</b>	2,225,413	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>BGHI</b>															
Short-term advances	-	-	-	-	-	-	-	<b>19</b>	19	<b>908,049</b>	908,049	-	-	Collectible upon billing; Covered by Investment Agreement (see Note 40j); noninterest-bearing	Unsecured; no guarantee
<b>TBEA</b>															
Loan facility	<b>13,475</b>	95,026	-	-	-	-	-	-	-	-	-	<b>108,501</b>	95,026	Principal is payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025; interest-bearing at 5% p.a.	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 9 and 15)	<b>5,425</b>	1,839	-	-	-	<b>7,264</b>	1,839	-	-	-	-	-	-	Payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025	Unsecured; no guarantee
				<b>₱805,104</b>	₱649,652	<b>₱25,431</b>	₱20,252	<b>₱4,193</b>	₱2,960	<b>₱5,475,049</b>	₱5,331,302	<b>₱956,359</b>	₱977,449		



### Terms and Conditions of Transactions with Related Parties

All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2021 and 2020 pertain mainly to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on THNC's and EPI's Loan Obligations (see Notes 40f and 40r), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the financial reporting period through the examination of the financial position of the related party and the market in which the related party operates.

#### a. Sales and Service Agreements

##### Nickel Ore Sale Agreements with PAMCO

The Group supplies saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company, RTN and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per wet metric ton (WMT) of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2021 and 2020 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of "Trade and other receivables" and is expected to be collected subsequently.

##### Nickel Ore Sale Agreement with PAMCO and Sojitz

RTN supplies saprolite ore to PAMCO, wherein PAMCO appointed Sojitz as agent, under a sale agreement, which shall be valid and in effect until December 2020. By the end of the third (3rd) year, RTN and PAMCO shall jointly assess whether the commercial production of ore at the mine is still possible. Unless the commercial production becomes impossible due to the exhaustion of ore reserves in the mine, RTN, PAMCO and Sojitz shall renew the agreement with five (5) years term, or from January 1, 2019 to December 31, 2023. PAMCO owns 36% and Sojitz owns 4% of the outstanding capital stock of RTN.

The Group's revenue from sale of ore to PAMCO and/or Sojitz amounted to ₱2,038.7 million, ₱894.3 million and ₱1,868.9 million in 2021, 2020 and 2019, respectively.

##### Nickel Ore Sale Agreement with SMM

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

Revenue from sale of ore to SMM amounted to ₱91.5 million in 2021 and nil in 2020 and 2019.

##### Nickel Ore Supply Agreement with CBNC

RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay HPP facility until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPP facility. Receivable from CBNC is included as part of "Trade and other receivables" and is expected to be collected subsequently.



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

Sale of ore to CBNC amounted to ₱1,764.4 million, ₱1,212.0 million and ₱1,203.1 million in 2021, 2020 and 2019, respectively.

#### Nickel Ore Supply Agreement with THNC

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

Sale of ore to THNC amounted to ₱2,513.5 million, ₱2,158.0 million and ₱2,319.2 million in 2021, 2020 and 2019, respectively.

#### Service Agreements with CBNC

RTN and CDTN entered into various service agreements with CBNC pertaining to materials handling and others. The revenue of the Group related to materials handling for CBNC amounted to ₱233.5 million, ₱206.3 million and ₱232.9 million in 2021, 2020 and 2019, respectively.

#### Materials Handling Agreement with THNC

On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for THNC. THNC shall compensate TMC based on the prices stipulated in the agreement which are determined on the basis of the weight of the cargo. Payment is collected within fifteen (15) days from receipt of TMC's billing. The revenue of the Group related to materials handling for THNC amounted to ₱131.8 million, ₱253.2 million and ₱259.7 million in 2021, 2020 and 2019, respectively.

#### Materials Supply Agreement with THNC

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

TMC's revenue from the sale of quarry materials amounted to ₱151.1 million, ₱397.3 million and ₱179.6 million in 2021, 2020 and 2019, respectively.

### b. Stockholder Agreements

#### THNC Stockholder's Agreement

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

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



procuring materials and equipment necessary for the mine's operations. The Stockholders Agreement shall terminate upon the dissolution of THNC.

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

In a separate agreement dated December 9, 2011, SMM agreed to assume the Parent Company's obligation to make loans to, or guarantee the repayment of THNC's loan obligations. The Parent Company, in consideration of this agreement, pays SMM an annual guarantee fee of 1%, which was reduced to 0.6%, of THNC's outstanding loan obligations (see Note 30).

c. Other Agreements

Funding Commitment with THNC

TMC as owner/developer of TSEZ incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jettybollard and other pier facilities in the Taganito foreshore and offshore areas (see Note 15).

Assignment of Receivables

On September 18, 2014, Oghi and BGHI executed a deed, selling Oghi's receivables from BGI to BGHI amounting to ₱2,225.4 million.

On September 18, 2014 and March 27, 2019, OGIPL and BGHI executed the first and second deed, selling OGIPL's receivables from BGI to BGHI amounting to ₱833.2 million and ₱228.8 million, respectively.

On June 2, 2020, OGIPL, Oghi, and BGHI decided to rescind the aforementioned agreements. As a result, BGHI restored to OGIPL and Oghi all rights to the receivables from BGI.

d. Compensation of Key Management Personnel

The Group considers as key management personnel the employees holding managerial positions up to the chairman. The short-term benefits of key management personnel of the Group in 2021, 2020 and 2019 amounted to about ₱435.1 million, ₱452.7 million and ₱460.7 million, respectively, inclusive of cost of share-based payment of ₱31.9 million, ₱71.1 million and ₱130.5 million, respectively. The net post-employment benefits of key management personnel of the Group amounted to ₱14.5 million, ₱22.9 million and ₱14.6 million in 2021, 2020 and 2019, respectively.

The Group's related party transactions which are 10% and above of the consolidated total assets are reviewed and approved by the Related Party Transactions Committee.

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## 35. Leases

*Lease Agreement with Manta Equities Inc. (Manta)*

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. The lease agreement expired in May 2018 and was renewed for another period of five (5) years or



until May 2023. In 2019 and 2020, additional parking and office spaces were leased from Manta which were covered by separate lease agreements.

*Lease of Project Area from Subic Bay Metropolitan Authority (SBMA)*

On April 29, 2015, JSI entered into a fifty (50) year lease agreement with SBMA for the use of the 800 hectares project area located at Mt. Sta. Rita, Subic Bay Freeport Zone (SBFZ) for its solar and wind energy projects for a monthly lease payment amounting to ₱34,000 per MW installed on the leased area. This lease agreement was subsequently amended to include some terms and conditions.

Further, on June 7, 2019, an amendment to the Lease Agreement was entered to document the following updated terms:

- Amended rent - From execution of the fourth amendment, the monthly rent shall be ₱1.1 million, and from December 31, 2030, the monthly rent shall be ₱5.1 million. JSI also committed, upon execution of the fourth amendment, to remit as advance rental payment an amount of ₱40.0 million, to be applied against future rental obligations starting December 31, 2030.
- Investment commitment - JSI undertakes to infuse investment worth US\$200.0 million on the leased areas on or before December 30, 2030.
- Pamulaklakin road upgrade - JSI undertakes to construct and/or upgrade the Pamulaklakin road, from the Pamulaklakin junction up to JSI's alpha station.
- Utility posts - JSI shall install utility posts for transmission lines from the leased areas to the NGCP service substation in coordination with the Subic Enerzone Corporation.
- Power generation facility - JSI shall construct a 150MW capacity generation facility and/or power plant that uses renewable energy source until December 31, 2030.
- Performance bond - JSI shall deliver a noninterest-bearing performance bond amounting to ₱10.0 million. The performance bond is included under "Other noncurrent assets".
- Term - the term of the Lease Agreement shall be for a period of fifty (50) years from August 9, 2015 and continuing until August 8, 2065.
- Renewal - subject to the extension or renewal by the SEC of JSI's corporate life as well as the consent of the Indigenous Cultural Communities of Aeta through its Free and Prior Informed Consent, the Lease Agreement may be renewed for another twenty five (25) years under the same terms and conditions upon mutual consent of the parties.
- Pre-Termination - grounds for pre-termination by SBMA shall include but not be limited to: a) failure to pay rent; b) failure to infuse the committed amount of investment; c) willful failure to comply with SBMA environmental standards; and/or d) smuggling. JSI will be given a ninety (90)-day period to cure such contractual breach.
- Land use/zoning - in case of pre-termination due to re-zoning or change in the land use/master plan, SBMA shall reimburse JSI of the cost of equipment, improvements and developments that cannot be moved.

*Lease of NGCP Facility*

On September 18, 2015, JSI entered into a fifty (50) year lease agreement with SBMA for the use of a 280 square meter (sq. m.) building and 2,300 sq. m. lot located near the NGCP Facility, Subic Gateway Park, SBFZ on a monthly rental of ₱0.04 million and ₱0.3 million, respectively.

The lease agreement is also subject to the following terms and condition:

- In addition to the monthly rental, JSI shall pay 5% of the appraised value of the leased property as share of the Aeta Community for areas covered by Certificate of Ancestral Domain Title;
- JSI is given a grace period of two (2) years (free of rent) between the period September 12, 2015 to September 11, 2017; and





- The lease agreement is subject to a 6% annual escalation beginning on the second year of the lease and impossible annually thereafter.

The Group also has certain leases of properties with lease terms of twelve (12) months or less and leases of properties with low value. The Group applies the “short-term lease” and “lease of low-value assets” recognition exemptions for these leases.

The lease liabilities, discounted using incremental borrowing rate are as follows:

	2021	2020
Lease liabilities	<b>₱613,944</b>	₱615,904
Less noncurrent portion	<b>578,190</b>	584,922
Current portion	<b>₱35,754</b>	₱30,982

The following are the amounts recognized in the consolidated statements of income:

	2021	2020
Expenses relating to short-term leases	<b>₱858,537</b>	₱751,162
Accretion of interest on lease liabilities (see Note 30)	<b>54,554</b>	54,344
Amortization of ROU asset included in property and equipment (see Note 9)	<b>42,252</b>	42,116
Expenses relating to leases of low-value assets	<b>605</b>	754
	<b>₱955,948</b>	₱848,376

In 2021 and 2020, expenses under shipping and loading costs amounting to ₱734.8 million and ₱674.5 million, respectively, which are covered by service agreements are included above in compliance with PFRS 16.

The rollforward analysis of lease liabilities follows:

	2021	2020
Balances as at January 1	<b>₱615,904</b>	₱606,678
Accretion of interest (see Note 30)	<b>54,554</b>	54,344
Payments	<b>(56,514)</b>	(55,149)
Additions	-	10,031
Balances as at December 31	<b>₱613,944</b>	₱615,904

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
One (1) year	<b>₱58,978</b>	₱56,594
more than one (1) year to two (2) years	<b>29,006</b>	58,978
more than two (2) years to three (3) years	<b>23,281</b>	29,006
more than three (3) years to four (4) years	<b>22,170</b>	23,281
more than four (4) years	<b>3,572,066</b>	3,594,238
	<b>₱3,705,501</b>	₱3,762,097



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### 36. Pension Liability

The existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the pension liability and pension asset recognized in the consolidated statements of financial position:

	2021	2020
<i>Funded pension liabilities:</i>		
RTN	<b>₱318,950</b>	₱290,025
TMC	<b>219,691</b>	262,086
CMC	<b>57,940</b>	75,886
NAC	<b>27,529</b>	44,207
HMC	–	3,883
	<b>₱624,110</b>	<b>₱676,087</b>
<i>Funded pension asset:</i>		
HMC (see Note 13)	<b>₱711</b>	₱–



The following tables summarize the components of net pension costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans based on the 2021 Actuarial Valuation Report:

Changes in net defined benefit liability and fair value of pension assets in 2021, 2020 and 2019 are as follows:

	2021												
	Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income								
	January 1, 2021	Current service cost (see Note 27)	Net interest (see Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal	Contributions	December 31, 2021
RTN	₱650,012	₱50,358	₱25,741	₱76,099	(₱110,887)	₱-	(₱8)	₱23,383	(₱12,006)	₱-	₱11,369	₱-	₱626,593
TMC	484,287	50,658	19,517	70,175	(26,760)	-	(1,125)	(9,975)	(71,267)	-	(82,367)	-	445,335
HMC	58,724	7,650	2,348	9,998	(1,715)	-	(25)	2,723	(9,613)	-	(6,915)	-	60,092
CMC	98,294	9,534	3,873	13,407	(3,099)	-	441	(3,408)	(12,577)	-	(15,544)	-	93,058
NAC	90,468	12,343	3,420	15,763	(2,733)	-	294	6,913	(11,358)	-	(4,151)	-	99,347
<b>Defined benefit liability</b>	<b>1,381,785</b>	<b>130,543</b>	<b>54,899</b>	<b>185,442</b>	<b>(145,194)</b>	<b>-</b>	<b>(423)</b>	<b>19,636</b>	<b>(116,821)</b>	<b>-</b>	<b>(97,797)</b>	<b>-</b>	<b>1,324,425</b>
RTN	(359,987)	-	(13,192)	(13,192)	110,887	11,818	-	-	-	-	11,818	(57,169)	(307,643)
TMC	(222,201)	-	(9,020)	(9,020)	26,760	8,817	-	-	-	-	8,817	(30,000)	(225,644)
HMC	(54,841)	-	(2,306)	(2,306)	1,715	1,948	-	-	-	37	1,985	(7,356)	(60,803)
CMC	(22,408)	-	(1,121)	(1,121)	3,099	502	-	-	-	-	502	(15,190)	(35,118)
NAC	(46,261)	-	(2,206)	(2,206)	2,733	831	-	-	-	-	831	(26,915)	(71,818)
<b>Fair value of plan assets</b>	<b>(705,698)</b>	<b>-</b>	<b>(27,845)</b>	<b>(27,845)</b>	<b>145,194</b>	<b>23,916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>23,953</b>	<b>(136,630)</b>	<b>(701,026)</b>
RTN	290,025	50,358	12,549	62,907	-	11,818	(8)	23,383	(12,006)	-	23,187	(57,169)	318,950
TMC	262,086	50,658	10,497	61,155	-	8,817	(1,125)	(9,975)	(71,267)	-	(73,550)	(30,000)	219,691
HMC	3,883	7,650	42	7,692	-	1,948	(25)	2,723	(9,613)	37	(4,930)	(7,356)	(711)
CMC	75,886	9,534	2,752	12,286	-	502	441	(3,408)	(12,577)	-	(15,042)	(15,190)	57,940
NAC	44,207	12,343	1,214	13,557	-	831	294	6,913	(11,358)	-	(3,320)	(26,915)	27,529
<b>Pension liability</b>	<b>₱672,204</b>	<b>₱122,893</b>	<b>₱27,012</b>	<b>₱149,905</b>	<b>₱-</b>	<b>₱21,968</b>	<b>(₱398)</b>	<b>₱16,913</b>	<b>(₱107,208)</b>	<b>₱37</b>	<b>(₱68,725)</b>	<b>(₱129,274)</b>	<b>₱624,110</b>
<b>Pension liability (asset)</b>	<b>₱3,883</b>	<b>₱7,650</b>	<b>₱42</b>	<b>₱7,692</b>	<b>₱-</b>	<b>₱1,948</b>	<b>(₱25)</b>	<b>₱2,723</b>	<b>(₱9,613)</b>	<b>₱37</b>	<b>(₱4,930)</b>	<b>(₱7,356)</b>	<b>(₱711)</b>



2020

	Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income								December 31, 2020
	January 1, 2020	Current service cost (see Note 27)	Net interest (see Notes 29 and 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal	Contributions/ Transfer from the plan	
RTN	₱501,961	₱49,116	₱27,155	₱76,271	(₱56,479)	₱-	₱-	₱36,188	₱92,071	₱-	₱128,259	₱-	₱650,012
TMC	376,524	39,426	20,182	59,608	(27,938)	-	-	(727)	76,820	-	76,093	-	484,287
HMC	55,855	6,903	3,084	9,987	(17,779)	-	-	806	9,911	-	10,717	(56)	58,724
CMC	76,129	7,271	4,240	11,511	(4,141)	-	462	(1,476)	15,809	-	14,795	-	98,294
NAC	60,879	8,943	3,373	12,316	(14,448)	-	2,058	16,605	13,058	-	31,721	-	90,468
Defined benefit liability	1,071,348	111,659	58,034	169,693	(120,785)	-	2,520	51,396	207,669	-	261,585	(56)	1,381,785
RTN	(351,126)	-	(19,085)	(19,085)	56,479	13,530	-	-	-	-	13,530	(59,785)	(359,987)
TMC	(217,575)	-	(11,449)	(11,449)	27,938	(1,115)	-	-	-	-	(1,115)	(20,000)	(222,201)
HMC	(61,216)	-	(3,112)	(3,112)	17,779	106	-	-	-	(311)	(205)	(8,087)	(54,841)
CMC	(11,249)	-	(937)	(937)	4,141	928	-	-	-	-	928	(15,291)	(22,408)
NAC	(42,363)	-	(2,448)	(2,448)	14,448	2,194	-	-	-	-	2,194	(18,092)	(46,261)
Fair value of plan assets	(683,529)	-	(37,031)	(37,031)	120,785	15,643	-	-	-	-	15,332	(121,255)	(705,698)
RTN	150,835	49,116	8,070	57,186	-	13,530	-	36,188	92,071	-	141,789	(59,785)	290,025
TMC	158,949	39,426	8,733	48,159	-	(1,115)	-	(727)	76,820	-	74,978	(20,000)	262,086
HMC	(5,361)	6,903	(28)	6,875	-	106	-	806	9,911	(311)	10,512	(8,143)	3,883
CMC	64,880	7,271	3,303	10,574	-	928	462	(1,476)	15,809	-	15,723	(15,291)	75,886
NAC	18,516	8,943	925	9,868	-	2,194	2,058	16,605	13,058	-	33,915	(18,092)	44,207
Pension liability	₱393,180	₱104,756	₱21,031	₱125,787	₱-	₱15,537	₱2,520	₱50,590	₱197,758	₱-	₱266,405	(₱113,168)	₱676,087
Pension asset	(₱5,361)	₱6,903	(₱28)	₱6,875	₱-	₱106	₱-	₱806	₱9,911	(₱367)	₱10,512	(₱8,143)	₱-



2019

	Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							December 31, 2019	
	January 1, 2019	Current service cost (see Note 27)	Net interest (see Notes 29 and 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal		Contributions
RTN	₱415,373	₱31,845	₱31,734	₱63,579	(₱58,227)	₱-	₱-	₱26,854	₱54,382	₱-	₱81,236	₱-	₱501,961
TMC	341,831	36,313	25,979	62,292	(23,288)	-	-	(17,089)	12,778	-	(4,311)	-	376,524
HMC	39,563	5,303	3,046	8,349	(4,779)	-	196	257	12,269	-	12,722	-	55,855
CMC	56,522	5,347	4,352	9,699	(5,400)	-	(695)	2,298	13,705	-	15,308	-	76,129
NAC	58,291	6,669	4,489	11,158	(16,754)	-	(983)	1,092	8,075	-	8,184	-	60,879
Defined benefit liability	911,580	85,477	69,600	155,077	(108,448)	-	(1482)	13,412	101,209	-	113,139	-	1,071,348
RTN	(312,652)	-	(23,431)	(23,431)	58,227	(26,966)	-	-	-	-	(26,966)	(46,304)	(351,126)
TMC	(183,308)	-	(14,377)	(14,377)	23,288	(8,178)	-	-	-	-	(8,178)	(35,000)	(217,575)
HMC	(46,762)	-	(3,916)	(3,916)	3,979	(1,846)	-	-	-	(504)	(2,350)	(12,167)	(61,216)
CMC	(8,997)	-	(758)	(758)	4,815	207	-	-	-	-	207	(6,516)	(11,249)
NAC	(39,155)	-	(3,066)	(3,066)	16,754	1,196	-	-	-	-	1,196	(18,092)	(42,363)
Fair value of plan assets	(590,874)	-	(45,548)	(45,548)	107,063	(35,587)	-	-	-	-	(36,091)	(118,079)	(683,529)
RTN	102,721	31,845	8,303	40,148	-	(26,966)	-	26,854	54,382	-	54,270	(46,304)	150,835
TMC	158,523	36,313	11,602	47,915	-	(8,178)	-	(17,089)	12,778	-	(12,489)	(35,000)	158,949
HMC	(7,199)	5,303	(870)	4,433	(800)	(1,846)	196	257	12,269	(504)	10,372	(12,167)	(5,361)
CMC	47,525	5,347	3,594	8,941	(585)	207	(695)	2,298	13,705	-	15,515	(6,516)	64,880
NAC	19,136	6,669	1,423	8,092	-	1,196	(983)	1,092	8,075	-	9,380	(18,092)	18,516
Pension liability	₱327,905	₱80,174	₱24,922	₱105,096	(₱585)	(₱33,741)	(₱1,678)	₱13,155	₱88,940	₱-	₱66,676	(₱105,912)	₱393,180
Pension asset	(₱7,199)	₱5,303	(₱870)	₱4,433	(₱800)	(₱1,846)	₱196	₱257	₱12,269	(₱504)	₱10,372	(₱12,167)	(₱5,361)



The main categories of plan assets as a percentage of the fair value of total plan assets follow:

<b>2021</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Fixed income securities	59.51%	43.35%	66.53%	76.93%	65.72%
Investments in shares of stock	30.47%	19.53%	25.31%	11.80%	21.41%
Others	10.02%	37.12%	8.16%	11.27%	12.87%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<b>2020</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Fixed income securities	66.14%	52.10%	68.15%	83.12%	68.39%
Investments in shares of stock	32.04%	20.87%	24.58%	5.89%	17.58%
Others	1.82%	27.03%	7.27%	10.99%	14.03%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<b>2019</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Fixed income securities	40.13%	43.77%	77.50%	73.78%	77.87%
Investments in shares of stock	37.54%	–	18.18%	22.30%	20.28%
Others	22.33%	56.23%	4.32%	3.92%	1.85%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining the pension asset (liability) for the Group's plans are shown below:

<b>2021</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Discount rate	5.03%	5.13%	5.16%	5.16%	5.11%
Expected salary increase rate	5.00%	5.00%	8.00%	5.00%	5.00%
<b>2020</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Discount rate	3.78%	3.96%	4.03%	4.00%	3.94%
Expected salary increase rate	5.00%	4.00%	8.00%	5.00%	5.00%
<b>2019</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Discount rate	5.54%	5.41%	5.36%	5.52%	5.57%
Expected salary increase rate	5.00%	4.00%	8.00%	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the net defined pension liability as at the end of the financial reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	<b>2021</b>	<b>2020</b>
Discount rates	+100 basis points	<b>(₱138,728)</b>	<b>(₱150,387)</b>
	-100 basis points	<b>166,030</b>	<b>181,208</b>



	Increase (decrease)	2021	2020
Salary increase rate	+100 basis points	<b>₱162,690</b>	₱176,090
	-100 basis points	<b>(138,777)</b>	(149,424)

As at March 10, 2022, the Group has not yet reasonably determined the amount of 2022 contributions to the retirement fund.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	2020
Within the next twelve (12) months	<b>₱94,815</b>	₱90,979
Between two (2) and five (5) years	<b>391,874</b>	371,455
Between six (6) and ten (10) years	<b>606,896</b>	587,357
<b>Total expected payments</b>	<b>₱1,093,585</b>	₱1,049,791

The weighted average duration of the pension liability as at December 31, 2021 and 2020 is 11.1 years and 11.7 years, respectively.

### 37. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of TMC, RTN, CMC, HMC, NAC and CDTN, Gross Income Tax (GIT) of TMC, RTN and JSI and Minimum Corporate Income Tax (MCIT) of DMC, EPI and BGI in 2021; RCIT of TMC, RTN, CMC, HMC and NAC, GIT of TMC and RTN and MCIT of DMC and EPI in 2020, RCIT of TMC, RTN, CMC, HMC and NAC, GIT of TMC and RTN and MCIT of EPI and CExCI in 2019, as follows:

	2021	2020	2019
TMC	<b>₱1,559,991</b>	₱1,162,680	₱996,722
RTN	<b>863,914</b>	646,484	323,599
CMC	<b>367,742</b>	476,842	237,707
HMC	<b>180,270</b>	106,740	101,544
NAC	<b>162,182</b>	171,978	130,995
CDTN	<b>25,522</b>	-	-
JSI	<b>3,156</b>	-	-
DMC	<b>62</b>	-	-
EPI	<b>13</b>	8	14
	<b>₱3,162,852</b>	₱2,564,732	₱1,790,581

All other companies under the Group were in a gross and/or net taxable loss positions in 2021, 2020 and 2019.



The reconciliation between the provision for (benefit from) income tax computed at the statutory income tax rate and the provision for (benefit from) income tax computed at the effective income tax rate as shown in the consolidated statements of income follows:

	2021	2020	2019
Income tax at statutory rate from non-registered activities	<b>₱5,419,222</b>	₱3,661,529	₱2,535,496
Add (deduct) tax effects of:			
Dividend income exempt from income tax	<b>(2,068,834)</b>	(1,334,686)	(880,173)
Effect of change in tax rate	<b>(176,815)</b>	(21,465)	28,839
Expired net operating loss carry over (NOLCO) and excess of MCIT over RCIT	<b>81,398</b>	100,457	149,862
Nondeductible expenses	<b>50,811</b>	57,544	64,139
Loss (income) subject to other taxes	<b>35,413</b>	(7,479)	(78,528)
Change in unrecognized deferred income tax assets	<b>34,503</b>	(31,686)	(106,168)
Interest income subjected to final tax	<b>(23,583)</b>	(56,571)	(100,304)
Nontaxable income	<b>(17,907)</b>	(12,678)	-
Movements in deductible temporary differences for which deferred income taxes were recognized	<b>(6,044)</b>	(36,702)	(3,256)
Derecognized deferred income tax assets	<b>286</b>	-	46,688
Others	-	19	147
	<b>3,328,450</b>	2,318,282	1,656,742
Income tax at statutory rate from Philippine Economic Zone Authority (PEZA) registered activities	<b>(283)</b>	(4,332)	(3,190)
Add (deduct) tax effects of:			
Nondeductible expenses	<b>4,566</b>	7,679	7,513
Nontaxable income	<b>(449)</b>	(2,731)	(2,745)
Interest income subjected to final tax	<b>(4)</b>	(48)	(149)
Effect of change in tax rate	-	-	(2,665)
	<b>3,830</b>	568	(1,236)
<b>Income tax at effective rates</b>	<b>₱3,332,280</b>	₱2,318,850	₱1,655,506





On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law as RA No. 11534. The CREATE Act introduces reforms to the corporate income tax and incentives system and became effective on April 11, 2021. Among the relevant provisions of the CREATE Act which have an impact to the Group are as follows:

- Effective July 1, 2020, the RCIT rate for domestic corporations is reduced depending on its total assets and taxable income as follows:

<i>Total Assets</i>	<i>Net Taxable Income</i>	<i>Tax Rate</i>
₱100.0 million and below	₱5.0 million and below	20%
All other domestic corporations		25%

- Change in MCIT rate from 2% to 1% on gross income effective July 1, 2020 up to June 30, 2023. Thereafter, it shall revert to the 2% MCIT rate
- Amendment of the rate of income tax on non-resident foreign corporations from 30% to 25% on gross income sourced from the Philippines effective January 1, 2021
- Amendment of the rate of income tax on resident foreign corporations from 30% to 25% on taxable income sourced from the Philippines effective July 1, 2020
- Reduction by 20% of the interest income subjected to final tax of the allowable deduction for interest expense

The approval of CREATE, however, is considered a non-adjusting event for financial reporting purposes as at and for the year ended December 31, 2020. The income tax rates used in preparing the consolidated financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The effect of the reduction of income tax rates was recognized in 2021. Details are as follows:

Provision for current income tax in 2021	<b>₱3,376,473</b>
Effect of change in income tax rate	<b>(213,621)</b>
Provision for current income tax as presented in the consolidated statements of income	<b>₱3,162,852</b>

The impact on the December 31, 2020 consolidated balances had the CREATE Act been substantively enacted as of then, that were adjusted in 2021, are as follows:

	Increase (decrease)
<i>Consolidated Statement of Financial Position</i>	
Income tax payable	(₱213,621)
Deferred income tax assets - net	(103,388)
Deferred income tax liabilities - net	(44,313)
Net valuation gains on financial assets at FVOCI	(41)
<i>Consolidated Statement of Income</i>	
Provision for current income tax	(213,621)
Provision for deferred income tax	32,748
Net income attributable to equity holders of the parent	128,652
Net income attributable to NCI	52,221

(Forward)



	Increase (decrease)
<i>Consolidated Statement of Comprehensive Income</i>	
Remeasurement loss on pension liability	₱26,286
Net valuation loss on financial assets at FVOCI	41
Total comprehensive income attributable to equity holders of the parent	(18,417)
Total comprehensive income attributable to NCI	(7,910)

The components of the Group's net deferred income tax assets and liabilities follow:

	2021	2020
<i>Deferred income tax assets:</i>		
<i>At 25% and 30% as at December 31, 2021 and 2020, respectively</i>		
Provision for mine rehabilitation and decommissioning	<b>₱138,476</b>	₱199,314
NOLCO	<b>101,287</b>	83,353
Pension costs	<b>100,927</b>	202,764
Undepleted asset retirement obligation	<b>(90,958)</b>	(130,356)
Cost of share-based payment plan	<b>79,885</b>	90,341
Unrealized foreign exchange losses (gains) - net	<b>(43,554)</b>	59,877
Unrealized valuation gains on financial assets at:		
FVTPL	<b>(38,379)</b>	(47,668)
FVOCI	-	243
Allowance for impairment losses on:		
Inventories	<b>19,864</b>	33,514
Advances to suppliers and contractors	-	4,601
Others	<b>9,271</b>	11,438
Unamortized past service cost	<b>26,930</b>	28,002
Actual lease payment	<b>(19,201)</b>	(18,344)
Amortization of ROU asset	<b>16,969</b>	16,775
Accretion of interest on lease liabilities	<b>3,773</b>	4,353
Allowance for ECL on trade and other receivables	<b>3,347</b>	8,473
Excess of MCIT over RCIT	<b>63</b>	-
Long-term stockpile inventory	-	48,161
Accrual for quarry materials	-	9,522
<i>At 5%</i>		
Accretion of interest on lease liabilities	<b>7,230</b>	4,732
Actual lease payment	<b>(5,115)</b>	(4,069)
Capitalized borrowing cost	<b>(2,843)</b>	(1,466)
Amortization of ROU asset	<b>1,774</b>	1,166
Deferred income	-	2,528
Pension costs	-	10
	<b>₱309,746</b>	<b>₱607,264</b>

(Forward)



	2021	2020
<i>Deferred income tax liabilities:</i>		
<i>At 25% and 30% as at December 31, 2021 and 2020, respectively</i>		
Fair value adjustment arising from business combination	₱224,240	₱251,590
Unrealized valuation gains on financial assets at FVTPL	72,232	-
Provision for mine rehabilitation and decommissioning	(67,515)	-
Asset revaluation surplus	63,518	144,791
Pension costs	(54,833)	-
Unrealized foreign exchange gains - net	51,443	-
Undepleted asset retirement obligation	46,596	-
Long-term stockpile inventory	10,634	-
Allowance for impairment losses on:		
Advances to suppliers and contractors	(5,431)	-
Input VAT	(4,302)	-
Inventories	(550)	-
Others	(260)	-
Accrual for quarry materials	(10,358)	-
Capitalized borrowing cost	7,681	8,921
Actual lease payment	5,829	870
Amortization of ROU asset	(5,022)	(589)
Allowance for ECL on trade and other receivables	(3,550)	-
Cost of share-based payment plan	(3,363)	-
Unamortized debt issue costs	1,771	2,204
Accretion of interest on lease liabilities	(1,139)	(160)
Unamortized past service cost	(812)	-
<i>At 15% and 10% as at December 31, 2021 and 2020, respectively</i>		
Share in cumulative translation adjustment (see Note 10)	186,948	93,572
<i>At 5%</i>		
Deferred income	(2,311)	-
Pension costs	(18)	-
	<b>₱511,428</b>	<b>₱501,199</b>

The Group did not recognize net deferred income tax asset on the following temporary differences since the management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the net deferred income tax assets can be utilized in the future.

	2021	2020
NOLCO	₱771,825	₱761,791
Allowance for impairment losses	658,300	658,300
Unrealized foreign exchange losses - net	353,607	225,884
Allowance for ECL	15,497	15,497
Accretion of interest on long-term payable	6,111	5,510
Excess of MCIT over RCIT	37	51
Others	2,641	2,641
	<b>₱1,808,018</b>	<b>₱1,669,674</b>



On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

As at December 31, 2021 and 2020, the Group, except for FEI, has NOLCO and excess of MCIT over RCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Year of Expiration	NOLCO		Excess of MCIT over RCIT	
		2021	2020	2021	2020
2021	2026	<b>₱462,914</b>	₱-	<b>₱-</b>	₱-
2021	2024	-	-	77	-
2020	2025	<b>346,821</b>	347,153	-	-
2020	2023	-	-	7	7
2019	2022	<b>367,233</b>	367,108	<b>15</b>	15
2018	2021	-	325,565	-	29
		<b>₱1,176,968</b>	₱1,039,826	<b>₱99</b>	<b>₱51</b>

As at December 31, 2021 and 2020, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	2021	2020
2017	2022	<b>₱6</b>	₱6
2016	2021	-	134
		<b>₱6</b>	<b>₱140</b>

The movements in NOLCO are as follows:

	2021	2020
Balances at January 1	<b>₱1,039,966</b>	₱1,026,665
Additions	<b>462,914</b>	347,153
Expirations	<b>(325,699)</b>	(333,852)
Applications	<b>(207)</b>	-
Balances at December 31	<b>₱1,176,974</b>	₱1,039,966

The movements in excess of MCIT over RCIT are as follows:

	2021	2020
Balances at January 1	<b>₱51</b>	₱345
Additions	77	7
Expirations	<b>(29)</b>	(301)
Balances at December 31	<b>₱99</b>	₱51

### 38. Financial Risk Management Objectives and Policies and Capital Management

The Group’s main financial instruments are cash and cash equivalents, financial assets at FVTPL, at FVOCI and at amortized cost, short-term cash investments and short-term and long-term debts. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as



trade and other receivables, loan receivable, long-term negotiable instruments, trade and other payables, lease liabilities and long-term payable which arise directly from its operations, investing and financing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk primarily from its operating (primarily for trade receivables) and investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The table below summarizes the Group's gross maximum exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2021	2020
Cash and cash equivalents (except cash on hand)	<b>₱10,819,790</b>	₱11,828,937
Trade and other receivables		
Trade	<b>1,245,362</b>	991,821
Dividend receivables	<b>255,251</b>	171
Current portion of loan receivable	<b>202,772</b>	255,411
Interest receivable	<b>15,633</b>	24,150
Amounts owed by related parties	<b>4,193</b>	2,960
Others	<b>204,154</b>	133,958
Financial assets at:		
FVOCI	<b>1,122,284</b>	2,548,760
Amortized cost	<b>460,000</b>	210,000
Prepayments and other current assets		
Short-term cash investments	<b>2,174,665</b>	-
Other noncurrent assets		
Loan receivable - net of current portion	<b>63,130</b>	305,525
Long-term negotiable instruments	<b>40,000</b>	40,000
<b>Total credit risk exposure</b>	<b>₱16,607,234</b>	₱16,341,693

#### *Cash and Cash Equivalents (except Cash on Hand), Financial Assets at FVOCI and at Amortized Cost, Short-term Cash Investments and Long-term Negotiable Instruments*

In determining the credit risk exposure, the Group has established PD rates based on available credit ratings published by Credit Rating Agencies. The credit ratings already consider forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics. While cash with banks and short-term cash investments are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

#### *Trade and Other Receivables and Loan Receivable*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a twelve (12)-month expected loss allowance for all trade and other receivables and loan receivable. The ECL on trade and other receivables and loan receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate of the countries in which it sells its goods and services to be



the most relevant factors for its trade receivables, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix:

	Current	Days past due				Total
		< 30 days	31-60 days	61-90 days	>191 days	
<b>December 31, 2021</b>						
ECL rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱1,660,999	₱180,758	₱51,483	₱34,125	₱32,824	₱1,960,189
ECL	₱-	₱-	₱-	₱-	₱32,824	₱32,824
<b>December 31, 2020</b>						
ECL rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱1,217,071	₱125,256	₱47,069	₱19,075	₱33,477	₱1,441,948
ECL	₱-	₱-	₱-	₱-	₱33,477	₱33,477

### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance its exploration, mining and power generation activities through internally generated funds, advances from related parties and borrowings from banks. Aside from yielding good returns, the Group ensures that investments have ample liquidity to finance operations and capital requirements. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts and obligations.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

2021	On Demand	Less Than Three (3) Months	Three (3) To Twelve (12) Months	More Than One (1) Year	Total
<b>Trade and other payables</b>					
Trade	₱176,392	₱424,209	₱92,634	₱-	₱693,235
Amounts owed to related parties	5,475,049	-	-	-	5,475,049
Dividends payable	-	1,772,125	-	-	1,772,125
Accrued expenses	489,899	58,883	495	-	549,277
Interest payable	-	8,213	7,264	-	15,477
Retention fees payable	1,451	-	-	-	1,451
Others	79,027	4,951	-	-	83,978
<b>Short-term debts</b>					
Carrying amount	-	-	1,492,916	-	1,492,916
Unamortized debt issue cost	-	-	7,084	-	7,084

(Forward)



2021	On Demand	Less Than Three (3) Months	Three (3) To Twelve (12) Months	More Than One (1) Year	Total
<b>Long-term debts</b>					
Carrying amount	P-	P-	P89,248	P867,111	P956,359
Unamortized discount	-	-	-	615	615
<b>Long-term payable</b>					
Carrying amount	-	-	6,693	-	6,693
Unamortized discount	-	-	307	-	307
<b>Lease liabilities</b>					
Undiscounted liabilities	-	20,341	85,500	3,599,660	3,705,501
	<b>₱6,221,818</b>	<b>₱2,288,722</b>	<b>₱1,782,141</b>	<b>₱4,467,386</b>	<b>₱14,760,067</b>

2020	On Demand	Less Than Three (3) Months	Three (3) To Twelve (12) Months	More Than One (1) Year	Total
<b>Trade and other payables</b>					
Trade	₱406,505	₱485,990	₱20,135	P-	₱912,630
Amounts owed to related parties	5,331,302	-	-	-	5,331,302
Dividends payable	-	627,700	-	-	627,700
Accrued expenses	401,924	127,182	288	-	529,394
Interest payable	-	-	9,950	-	9,950
Retention fees payable	478	124	347	-	949
Contract liability	22,331	-	-	-	22,331
Others	84,391	1,802	-	-	86,193
<b>Short-term debts</b>					
Carrying amount	-	-	1,492,654	-	1,492,654
Unamortized debt issue cost	-	-	7,346	-	7,346
<b>Long-term debts</b>					
Carrying amount	-	-	84,040	893,409	977,449
Unamortized discount	-	-	-	668	668
<b>Long-term payable</b>					
Carrying amount	-	-	7,000	6,093	13,093
Unamortized discount	-	-	-	907	907
<b>Lease liabilities</b>					
Undiscounted liabilities	-	13,801	42,793	3,705,503	3,762,097
	<b>₱6,246,931</b>	<b>₱1,256,599</b>	<b>₱1,664,553</b>	<b>₱4,606,580</b>	<b>₱13,774,663</b>

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2021 and 2020.

2021	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
<b>Cash and cash equivalents</b>					
Cash on hand and with banks	₱1,371,315	P-	P-	P-	₱1,371,315
Cash under managed funds	729,572	-	-	-	729,572
Cash equivalents	8,725,919	-	-	-	8,725,919
<b>Trade and other receivables</b>					
Trade	-	1,245,362	-	-	1,245,362
Dividend receivables	-	255,251	-	-	255,251
Current portion of loan receivable	-	-	202,772	-	202,772
Interest receivable	-	15,338	295	-	15,633
Amounts owed by related parties	4,193	-	-	-	4,193
Others	130,822	73,332	-	-	204,154
<b>Financial assets at:</b>					
FVTPL	5,266,080	-	-	731,813	5,997,893
FVOCI	1,122,284	-	-	-	1,122,284
Amortized cost	-	-	-	460,000	460,000
<b>Prepayments and other current assets</b>					
Short-term cash investments	-	-	2,174,665	-	2,174,665
<b>Other noncurrent assets</b>					
Loan receivable - net of current portion	-	-	-	63,130	63,130
Long-term negotiable instruments	-	-	-	40,000	40,000
	<b>₱17,350,185</b>	<b>₱1,589,283</b>	<b>₱2,377,732</b>	<b>₱1,294,943</b>	<b>₱22,612,143</b>



2020	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
<b>Cash and cash equivalents</b>					
Cash on hand and with banks	₱2,034,084	₱-	₱-	₱-	₱2,034,084
Cash under managed funds	1,634,697	-	-	-	1,634,697
Cash equivalents	8,166,420	-	-	-	8,166,420
<b>Trade and other receivables</b>					
Trade	717,140	270,213	4,468	-	991,821
Dividend receivable	-	171	-	-	171
Current portion of loan receivable	-	-	255,411	-	255,411
Interest receivable	-	23,848	302	-	24,150
Amounts owed by related parties	2,275	-	685	-	2,960
Others	125,201	3,021	5,736	-	133,958
<b>Financial assets at:</b>					
FVTPL	2,846,822	-	-	906,626	3,753,448
FVOCI	2,548,760	-	-	-	2,548,760
Amortized cost	100,000	-	-	110,000	210,000
<b>Other noncurrent assets</b>					
Loan receivable - net of current portion	-	-	-	305,525	305,525
Long-term negotiable instruments	-	-	-	40,000	40,000
	₱18,175,399	₱297,253	₱266,602	₱1,362,151	₱20,101,405

### Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, commodity prices, interest rates, equity prices and other market changes.

### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Transactions with companies outside the Philippines and with CBNC and THNC for the sale of saprolite and limonite ore and with World Aviation International Services Corporation (WAISC) for the lease of aircraft are carried out with currencies that management believes to be stable such as the US\$.

The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, financial assets at FVTPL and at FVOCI, short-term cash investments, trade and other payables and long-term debts. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US\$ and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

To mitigate the effects of foreign currency risk, the Group ensures timely follow-up and accelerates the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables and loans, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.





The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	US\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
<b>Financial assets:</b>				
Cash and cash equivalents	\$131,042	₱6,682,980	\$193,034	₱9,270,182
Trade and other receivables	27,007	1,377,318	16,070	772,190
<b>Financial assets at:</b>				
FVTPL	92,269	4,705,621	47,763	2,293,703
FVOCI	–	–	4,163	199,916
Short-term cash investments	15,000	764,985	–	–
	<b>\$265,318</b>	<b>₱13,530,904</b>	<b>\$261,030</b>	<b>₱12,535,991</b>
<b>Financial liabilities:</b>				
Trade and other payables	\$48,207	₱2,458,495	\$49,461	₱2,375,275
Long-term debts	16,625	847,858	18,375	882,423
	<b>\$64,832</b>	<b>₱3,306,353</b>	<b>\$67,836</b>	<b>₱3,257,698</b>

The exchange rate used for conversion of US\$1.00 to peso equivalent was ₱51.00 and ₱48.02 as at December 31, 2021 and 2020, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, in the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2021 and 2020 follows:

	Peso Weakens (Strengthens)	Sensitivity to pretax income
<b>2021</b>	<b>₱0.65</b> <b>(0.30)</b>	<b>₱130,316</b> <b>(60,146)</b>
2020	₱0.10 (0.40)	₱19,319 (77,278)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

#### *Interest Rate Risk*

The Group's exposure to the risk of changes in market interest rate relates to quoted fixed and floating debt instruments and floating-rate of long-term debts.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following table set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

Long-term debts	<1 year	1-5 years	>5 years	Total
<b>2021</b>	<b>₱89,248</b>	<b>₱465,494</b>	<b>₱401,617</b>	<b>₱956,359</b>
2020	₱84,040	₱431,187	₱462,222	₱977,449



Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, in the Group's income before income tax and equity as at December 31, 2021 and 2020 are as follows:

		Change in interest rate (in basis points)	Sensitivity to income before income tax	Sensitivity to equity
<b>2021</b>	<b>Financial assets</b>	<b>+100</b>		<b>₱50,414</b>
		<b>-100</b>		<b>(50,414)</b>
	<b>Long-term debts</b>	<b>+100</b>	<b>(₱9,564)</b>	
		<b>-100</b>	<b>9,564</b>	
2020	Financial assets	+100		₱45,850
		-100		(45,850)
	Long-term debts	+100	(₱9,774)	
		-100	9,774	

The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.

#### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The table below shows the sensitivity to a reasonably possible change in equity prices of quoted equity instruments as at December 31, 2021 and 2020, except equity-linked investments.

	Average change in market indices (in percentage)	Sensitivity to equity
<b>2021</b>	<b>18.54%</b>	<b>₱28,982</b>
	<b>-18.54%</b>	<b>(28,982)</b>
2020	33.30%	₱47,105
	-33.30%	(47,105)

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.



### Capital Management

The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, other current liability, short-term and long-term debts, lease liabilities, long-term payable, deferred income, provision for mine rehabilitation, pension liability and decommissioning and deferred income tax liabilities.

The Group considers the following as capital:

	2021	2020
Capital stock	P6,849,836	P6,849,836
Additional paid-in capital	8,271,900	8,271,900
Share in cumulative translation adjustment	599,215	381,991
Cost of share-based payment plan	473,442	441,589
Asset revaluation surplus	30,565	30,948
Net valuation gains on financial assets at FVOCI	3,363	57,771
Retained earnings:		
Unappropriated	16,710,460	14,952,425
Appropriated	135,000	189,950
Treasury stock	(134,014)	(134,014)
NCI	3,389,433	3,554,393
	<b>P36,329,200</b>	<b>P34,596,789</b>

The table below shows the Group's debt-to-equity ratio as at December 31, 2021 and 2020.

	2021	2020
Total liabilities (a)	P15,371,682	P14,316,501
Equity (b)	36,329,200	34,596,789
Debt-to-equity ratio (a/b)	<b>0.42:1</b>	0.41:1

The Group is not exposed to externally imposed capital requirements.

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## 39. Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

### *Cash and Cash Equivalents and Short-term Cash Investments*

The carrying amounts of cash and cash equivalents and short-term cash investments approximate their fair value due to the short-term nature and maturity of these financial instruments.



*Trade and Other Receivables, Trade and Other Payables and Short-term Debts*

Similarly, the carrying amounts of trade and other receivables, trade and other payables and short-term debts approximate their fair values due to the short-term nature of these accounts.

*Financial Assets at FVTPL and at FVOCI*

The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. Upon adoption of PFRS 9, the Group used the net asset approach with consideration of lack of marketability discount and lack of control discount in determining the fair value of unquoted equity securities since the fair value measurement is unobservable (Level 3).

*Financial Assets at Amortized Cost*

The carrying amount of financial assets at amortized cost, which is measured using the EIR, is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

*Loan Receivable*

The carrying amount of loan receivable, which is the transaction price, approximates its fair value.

*Long-term Negotiable Instruments*

The carrying amount of long-term negotiable instruments approximate their fair values since interest are earned based on long-term cash investment rates.

*Long-term Debts and Long-term Payable*

The fair values of long-term debts and long-term payable are based on the present value of future cash flows discounted using applicable risk free rates for similar types of loans adjusted for credit risk.

Fair Value Hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market data (unobservable inputs; Level 3).

	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets measured at fair value:</b>						
<i>Financial assets at:</i>						
FVTPL	<b>₱5,504,015</b>	<b>₱-</b>	<b>₱493,878</b>	₱3,268,617	₱-	₱484,831
FVOCI	<b>1,122,284</b>	-	-	2,548,760	-	-
	<b>₱6,626,299</b>	<b>₱-</b>	<b>₱493,878</b>	₱5,817,377	₱-	₱484,831

As at December 31, 2021 and 2020, the fair value of the quoted debt and equity securities at the close of the business is the quoted market price (Level 1) and the fair value of unquoted equity securities is determined using the net asset approach since the fair value measurement is unobservable (Level 3).

As at December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.



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#### 40. Significant Agreements and Other Matters

##### Significant Agreements

##### a. Loan Agreements

###### *East Coast*

In relation to the Supplemental Agreement executed by CMC and East Coast on December 18, 2015, CMC and East Coast executed a Loan Agreement wherein CMC granted East Coast a loan facility amounting to ₱1,000.0 million with an interest rate of 3% p.a. The loan was issued in two tranches of ₱150.0 million in October 2015 and ₱850.0 million in December 2015. As payment for the loan, CMC shall deduct 50% of the commission and royalties, net of withholding tax and interest, each time a commission, royalty or additional royalty is paid by CMC to East Coast. The loan is secured by a Pledge Agreement between CMC and East Coast covering the latter's rights, interests, receivables, obligations, and liabilities over the Mineral Production Sharing Agreements (MPSA) on the Cagdianao property owned by East Coast (see Note 40e).

On March 28, 2019, CMC and East Coast amended the Loan Agreement executed in 2015. East Coast obtained an additional ₱280.0 million loan from CMC. The outstanding balance due to CMC under the original and amended Loan Agreements shall be paid by deducting 60% of the commission and royalties, net of withholding tax and interest payments, each time a commission, royalty or additional royalty is paid by CMC to East Coast.

The current portion of loan receivable amounting to ₱202.8 million and ₱255.4 million was included under "Trade and other receivables", while the noncurrent portion amounting to ₱63.1 million and ₱305.5 million was included under "Other noncurrent assets" as at December 31, 2021 and 2020, respectively (see Notes 5 and 13). Interest income from the loan amounted to ₱13.5 million, ₱22.4 million, and ₱25.9 million in 2021, 2020 and 2019, respectively (see Note 29).

###### *SBC and International and Commercial Bank of China (ICBC)*

On August 2, 2021 JSI entered into an Omnibus Loan and Security Agreement (OLSA) to document the syndicated loan with two (2) banks as lenders, i.e., SBC and ICBC with the Parent Company forming part of the Share Collateral Security Grantors and Sponsors together with EPI and TBEA. The principal loan of ₱1,600.0 million will be used to partly refinance the shareholders loans used for the Phase 3A and Phase 3B expansion. Payment of the loan shall be secured by chattel mortgage on all project assets, mortgage over the leasehold rights with SBMA, and the pledge of shares of stocks of JSI. As at December 31, 2021, no drawdown has been made on the loan.

##### b. Throughput Agreement with THNC

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



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

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

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

In 2021, 2020 and 2019, service revenues from usage of pier facilities of TMC amounted to ₱111.1 million, ₱127.0 million and ₱143.8 million, respectively (see Note 34).

c. Memorandum of Understanding (MOU)

On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology to be located within the TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project.

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

Also, under the Agreement, the Parent Company, SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC of 10%, 75% and 15%, respectively.

The Agreement shall terminate upon the dissolution of THNC.

d. Sales Agreements

*Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 34a)*

*Nickel Ore Supply and Service Agreement with CBNC (see Note 34a)*

*Nickel Ore Supply Agreement with THNC (see Note 34a)*

*Materials Handling Agreement with THNC (see Note 34a)*

*Nickel Ore Supply Agreements with Chinese Customers*

CMC, HMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume of expected delivery within a few months.

Sale of ore to Chinese customers amounted to ₱19,445.9 million, ₱15,832.1 million and ₱10,845.5 million in 2021, 2020 and 2019, respectively (see Note 32).



*Nickel Ore Supply Agreement with Big Wave Resources Co., Limited (Big Wave)*

In September 2021, TMC entered into an agreement with Big Wave covering the sale of its ore products. Under the agreement, the end user of the material is PAMCO. Sale of ore to Big Wave amounted to ₱129.5 million in 2021 and nil in 2020 and 2019 (see Note 34).

*Nickel Ore Supply Agreement with Mitsubishi Corporation RTM International Pte., Ltd. and Mitsubishi Corporation Japan Ltd. (Mitsubishi)*

RTN entered into an agreement with Mitsubishi, a Singapore and Japan-based corporations, covering the sale of its ore products. Under the terms of the agreement, the ore sales are benchmarked to China prices on the basis of a negotiated price per WMT of ore. Mitsubishi shall pay 85% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Under the agreement, the end user of the material is PAMCO. Sale of ore to Mitsubishi amounted to nil, ₱78.9 million and ₱167.3 million in 2021, 2020 and 2019, respectively (see Note 34).

e. Mining Agreements

i. *MPSA*

RTN

On June 4, 1998, the Government approved the conversion of RTN's Mining Lease Contracts under the old mining regime into a MPSA with the Government pursuant to the Philippine Mining Act of 1995. The MPSA allows RTN to explore, develop and continue mining operations for nickel ore within the contract area covering 990 hectares in the Municipality of Bataraza, Southern Palawan Island. However, under RTN's Environmental Compliance Certificate (ECC), 144 hectares of the contract area are excluded from mining operations, being located within an area classified as "core zone" where mining is prohibited under current regulations of the Palawan Council for Sustainable Development (PCSD). Subsequently, PCSD approved to reclassify the core zone within the contract area into a mineral development area, and in 2015, the Strategic Environmental Plan clearance was issued by PCSD to RTN which is a requirement in obtaining ECC approval from the DENR. The processing of the Application for MPSA by the MGB is consequently under way.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending.

On April 28, 2005, RTN and the Government entered into a second MPSA covering 85 hectares in the Municipality of Bataraza, which allows RTN to mine limestone in Sitio Gotok. Limestone being mined by RTN pursuant to this second MPSA is being sold to CBNC, for the latter's Coral Bay HPAL plant, and to a third party.

Under both MPSAs, RTN pays a 4% excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty-five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

As at March 10, 2022, the MPSA of RTN is valid and in effect.



### HMC

#### *Taganaan Nickel Project*

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into a MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the contract area covering 773.77 hectares in the Municipality of Taganaan, Surigao del Norte. Under the MPSA, HMC pays the Government a 4% excise tax and a 5% royalty on gross revenues, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

As at March 10, 2022, the MPSA of HMC in Taganaan is valid and in effect.

#### *Manicani Nickel Project*

On August 13, 1992, HMC and the Government entered into a MPSA, which allows HMC to explore, develop and mine nickel ore within the contract area covering 1,165 hectares in Manicani Island, Municipality of Guiuan, Eastern Samar. Under the MPSA, HMC shall pay the Government a 4% excise tax, 1% royalty and 10% of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On May 23, 2016, HMC applied for the renewal of its MPSA in Manicani which expired on August 13, 2017. On March 2, 2022, the DENR extended the MPSA between the Government and HMC for fifteen (15) years and lifted the suspension of HMC's operations in Manicani Island, Guiuan, Eastern Samar.

### TMC

On July 28, 2008, the Government approved the conversion of TMC's Operating Contract into a MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the contract area covering 4,584.51 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the contract area to 4,862.71 hectares. The MPSA is valid until July 28, 2033.

Under the MPSA, TMC pays the Government a 4% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

As at March 10, 2022, the MPSA of TMC is valid and in effect.

### DMC

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

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

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

As at March 10, 2022, the MPSA of DMC is valid and in effect.





ii. *Operating Agreements*

TMC

*La Salle*

On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued. Subsequent to the Operating Agreement, La Salle filed an amended MPSA plan and reduced the area to 972 hectares.

The Operating Agreement specifies a royalty to La Salle of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of 25% per year over a period of four (4) years.

As at March 10, 2022, the MPSA remains pending.

*Kepha*

On February 14, 2007, TMC entered into an Operating Agreement with Kepha. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of US\$1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of 10% per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a 4% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government.

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

On September 10, 2018 and March 19, 2021, the MGB approved the second and third renewal, respectively, of Kepha's two (2) year exploration period.

Exploration cost pertaining to the project was included under deferred mine exploration costs in "Other noncurrent assets".

As at March 10, 2022, there were no drilling activities related to the Kepha project.



## CMC

### *East Coast*

On November 19, 1997, CMC entered into a MOA with East Coast, the holder of a MPSA with the Government issued on the same date covering a contract area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The MOA allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, CMC pays the Government an excise tax of 4%, and a 5% royalty, as the contract area is within the Surigao Mineral Reservation.

On December 18, 2015, CMC and East Coast executed a Supplemental Agreement to provide for the automatic renewal of the term of the MOA for another twenty-five (25) years, or from 2022 to 2047. In consideration of the new term as well as the other conditions contained in the Supplemental Agreement, CMC granted a loan of ₱1,000.0 million to East Coast and paid royalties amounting to ₱150.0 million (see Note 40a). Thereafter, CMC shall pay East Coast commission and royalties as follows:

- Commission equivalent to 3.5% on the gross sales amount of all nickel ore;
- Royalties equivalent to either 7% or 8.75% on the gross sales amount of all nickel ore depending on the monthly average LME nickel settlement price; and
- Additional royalty ranging from ₱10.0 million to ₱50.0 million depending on CMC's audited net income after tax less the additional royalty amount.

As at December 31, 2021, the survey plan for the MPSA renewal is already approved by the MGB and is awaiting for the approval of the DENR. On March 2, 2022, MGB ordered the renewal of the MPSA between the Government and East Coast for another twenty five (25) years.

As at March 10, 2022, the MOA has not been terminated and continues to be in full force and effect subject to the supplemental terms agreed by CMC and East Coast.

The commission expense related to East Coast that is reported under "Marketing" amounted to ₱178.5 million, ₱175.4 million and ₱126.9 million in 2021, 2020 and 2019, respectively.

## DMC

DMC and NiHAO Mineral Resources International Inc. (NiHAO) entered into an Operating Agreement on June 13, 2012, under which NiHAO shall have the exclusive right to explore, operate, mine, develop and process minerals found within DMC's mineral property.

Pursuant to the agreement, DMC shall pay NiHAO an amount equivalent to 90% of the invoice value of the nickel ore sold by DMC to third parties in consideration of the services to be performed by NiHAO. This agreement superseded the General Contractor Agreement entered into by NiHAO with DMC on March 5, 2012. The General Contractor Agreement was executed to appoint NiHAO as DMC's general contractor for the Isabela Nickel Project.

In connection with the acquisition of DMC by NAC, NiHAO's operating rights over the Isabela Nickel Project will be converted into preferred shares of DMC, which shares shall be entitled to dividends corresponding to 20% of operating income, net of income tax, subject to Shareholder's Agreement to be executed between NiHAO and DMC. As at March 10, 2022, the Shareholder's Agreement is not yet executed.



f. Loan Guarantee/Substitution Agreement

Under a loan guarantee/substitution agreement between the Parent Company and SMM, the latter agreed to substitute for the Parent Company to make loans or guarantee the repayment of THNC's obligation pursuant to the Stockholders Agreement dated September 15, 2010.

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

On October 8, 2020, the Parent Company and SMM agreed to amend the loan guarantee/substitution agreement to reduce the annual fee to 0.60% of the average unpaid balance for payment's due every 21st of February, March, August and September of each year. However, in consideration of the MUFG Bank Ltd. (formerly known as The Bank of Tokyo - Mitsubishi UFJ, Ltd.) substitution, the annual fee is 1% for any payments due before September 21, 2020, which is the effective date of the amendment, and 0.60% for any payments due thereafter.

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

The loan guarantee service fee amounting to ₱36.4 million, ₱47.0 million and ₱64.3 million in 2021, 2020 and 2019, respectively, is included under "Finance expenses" in the consolidated statements of income (see Note 30).

g. Power Supply Agreements

*SURNECO*

On October 31, 2013, the Parent Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Parent Company has agreed to construct, operate, and maintain a 10MW bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO. As defined in the PSA, SURNECO will pay to the Parent Company a monthly fee equal to the capital recovery fee of the power station plus fixed and variable operations and maintenance fee, fuel cost and any other applicable taxes.

The total construction cost of the 10MW bunker-fired diesel power station is about ₱1,000.0 million.

The ERC issued the COC to the Parent Company on June 26, 2019. The Parent Company and SURNECO agreed to commence the commercial operations of the three (3) generating units starting on June 26, 2018 for the first generator set, December 26, 2018 for the second generator set and June 26, 2019 for the third generator set. Each generating unit has a contracted capacity of 3.33MW. The plant operates based on the agreed schedule and in consonance with the load nominations from SURNECO.

Currently, the power plant is ready to dispatch power at 10MW in accordance with the signed and approved PSA.

In 2021, 2020 and 2019, the revenue from sale of power to SURNECO amounted to ₱32.2 million, ₱29.7 million and ₱44.7 million, respectively, while the capital recovery fee, amounted to ₱134.3 million in 2021 and 2020 and ₱111.9 million in 2019.



*Palawan Electric Cooperative (PALECO)*

Solar Supply

In 2015, EPI entered into a PSA with PALECO for the construction and development of a 10MW AC Solar Photovoltaic (PV) Power Station. Under the PSA, EPI shall design, engineer, develop, construct, complete, test, commission, finance, operate and maintain the Solar PV Power Station and all activities related or incidental thereto of PALECO. All costs in connection with the building of the Solar PV Power Station shall be borne by EPI, and EPI shall be responsible for arranging all necessary funding including any available preferential credit. During the commissioning date, PALECO shall put up, a commissioning output at a rate equivalent to the adjusted operation and maintenance component plus any VAT and any other applicable taxes, fees, and charges. Following the commercial operation date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI monthly fees equal to the capital recovery fee of the Solar PV Power Station plus fixed operations and maintenance fee, VAT and any other applicable taxes. As at December 31, 2021, construction of the sub-transmission facility has yet to be approved by the ERC.

Bunker Supply

In July 2015, EPI and PALECO entered into a PSA for the supply of electricity, which will be generated from modular and land-based bunker-fired power stations with a contracted capacity of 15MW up to 25MW.

Under the PSA, EPI shall design, develop, construct, complete, test and commission, operate, and maintain the bunker power stations, as well as all activities related or incidental thereto. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay the Company an amount equal to the summation of the bunker power costs of the generating units plus reserve power costs, plus any VAT and any other applicable taxes, fees and charges. PALECO shall also put up a payment security, as defined in the PSA. As at December 31, 2021, the construction of the sub-transmission facility has yet to be approved by the ERC.

*Oriental Mindoro Electric Cooperative (ORMECO) and Occidental Mindoro Electric Cooperative, Inc. (OMECO)*

In February 2014, EPI entered into separate PSAs with ORMECO and OMECO. Under the terms of the PSAs, EPI is committed to sell and deliver approximately 20MW each of geothermal power from the Montelago Geothermal Power Project to ORMECO and OMECO for a period of approximately twenty-five (25) years. The PSAs are renewable upon the agreement of the parties and approval of the ERC.

On November 3, 2014 and December 1, 2014, EPI was granted by the ERC of the Final Authorities on the PSAs with OMECO and ORMECO, respectively. On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the transfer of EPI's rights and obligations under GRESC No. 2010-02-013 to MGPC or the Montelago Geothermal Energy Project, including the said PSAs.

On December 5, 2014, EPI requested from the DOE the approval of the transfer of GRESC No. 2010-02-013 to MGPC. On February 16, 2016, the DOE approved the said transfer.

In connection with the assignment of the service contract to MGPC, the refundable deposits pertaining to compliance with the PSAs with OMECO and ORMECO were transferred by EPI to MGPC being the Project Entity.



On March 13, 2019, MGPC has been involved in a legal case after receiving a “Notice of Seller Default” from OMECO, alleging therein that MGPC has failed to comply with its main obligation under the PSA for the supply of 20MW electricity.

On December 4, 2019, MGPC filed a Petition for Indirect Contempt against OMECO for the latter’s competitive selection process activities for its full load power requirement, which violates the Temporary Order of Protection and Status Quo Order issued by the Regional Trial Court.

In a decision dated December 16, 2020, the Court denied MGPC’s Petition for Indirect Contempt. MGPC filed a Motion of Reconsideration on February 5, 2021. As at March 10, 2022, the court has not yet render a decision on the Petitions.

*Aboitiz Energy Solutions, Inc. (AESI)*

In December 2020, JSI entered into a PSA with AESI. Under the terms of the agreement, JSI is committed to sell and deliver pro-rata share of 7MW starting March 26, 2021, escalating to 10MW starting May 26, 2021, from the Sta. Rita Solar Power Project for a period of three (3) years.

Revenue from sale of power to AESI amounted to ₱38.1 million in 2021 and nil in 2020 and 2019.

h. Service Contracts

*Solar Energy Service Contract No. 2015-01-099*

On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the DOE which granted EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

Under the SESC, EPI assumes all the technical and financial risks without any guarantee from the Philippine Government and shall not be entitled to reimbursement for any expense incurred in connection with the SESC.

The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

On January 20, 2020, EPI requested DOE for voluntary termination of this SESC. As a result, EPI written-off project development costs amounting to ₱1.8 million (see Note 31).

*Solar Energy Service Contract No. 2013-10-039*

On October 31, 2013, JSI entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity generated from the solar energy operations.



On April 11, 2017, JSI applied to the DOE for the amendment of the Amended Confirmation of Commerciality rated 7MW and 93MW to 32MW (consolidating Phase 1 at 7MW and Phase 2 at 25MW) and 68MW as Phase 3 based from JSI's progress on the EPC revised timetable. On January 20, 2021, the DOE issued the Amended Confirmation of Commerciality No. SCC-2015-09-021-B to develop, operate and maintain the 100MW Bataan Solar Power Project (Phase 1 - 7MW; Phase 2 - 25MW; Phase 3A - 30MW and Phase 3B - 38MW).

*Wind Energy Service Contract (WESC) No. 2013-10-062*

On October 31, 2013, JSI entered into a WESC with the DOE. The WESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The WESC is for a period of twenty-five (25) years, inclusive of a three (3) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the WESC shall be 1% of the gross income from the sale of electricity generated from wind energy operations.

On August 17, 2020, JSI decided to surrender its WESC which was acknowledged by the DOE on September 17, 2020. As a result, JSI written-off project development costs pertaining to the pre-development and pre-operating activities for the Bataan Wind Power Project which amounted to ₱1.7 million (see Note 31).

*Solar Energy Operating Contract (SEOC)*

On February 3, 2021, JSI entered into a SEOC with the DOE covering an area of 351 hectares, a portion of the area in SESC No. 2013-10-039, also located in Morong and Hermosa, Bataan. JSI secured from DOE a Certificate of Registration as RE Developer of 100MW / 86MW Subic New PV Power Plant Project. As at December 31, 2021, this project is still in the pre-development stage.

*Geothermal Renewable Energy Service Contract No. 2016-02-060*

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

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRES to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRES to MGPC. The DOE approved EPI's application on February 16, 2016 under Certificate of Registration No. 2016-02-060.

The Project is currently at the exploration phase and is expected to have an operating capacity of 40MW. The geothermal plant will supply electricity to Oriental Mindoro and Occidental Mindoro at 20MW capacity each.

*Geothermal Renewable Energy Service Contract No. 2010-02-010*

By virtue of RA 9513 known as the Renewable Energy Act of 2008, on February 1, 2010, the DOE issued to BGI GRES No. 2010-02-010, converting its Geothermal Services Contract (GSC-09) issued on July 10, 2008 for the exploration, development and exploitation of geothermal resources covering the geothermal field in Biliran Province (previously a municipality of Leyte).



*Geothermal Renewable Energy Service Contract No. 2017-03-056*

On March 30, 2017, BGI entered into a GSC with the DOE. The GSC, dubbed as Biliran 2 Geothermal Power Project, covers an area of approximately 12,792 hectares in the municipalities of Kawayan, Almeria, Culaba and Naval in the province of Biliran. The GSC is for a period of twenty-five (25) years, inclusive of a five-year (5) pre-development stage period and is renewable for another twenty-five (25) years. On April 3, 2020, BGI opted to convert its GSC in accordance with DOE's DC2019-10-001 which took effect on November 22, 2019. Pre-development stage shall now be for seven (7) years. As at December 31, 2021, the Project is still in the pre-development stage.

i. Sub-transmission Service Agreement (SSA) with PALECO

In 2015, EPI entered into a SSA with PALECO for the installation of 69kV sub-transmission facilities and associated components (substations), and the connection of said facilities to PALECO's distribution system for the delivery of reliable power supply to the municipalities of El Nido, Taytay, San Vicente and Roxas (the "Municipalities") in the province of Palawan. Under the SSA, EPI shall develop, design, construct, install, test and commission, and finance the sub-transmission lines and substations in the Municipalities. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the SSA, PALECO shall pay monthly fees as defined in the SSA, plus VAT and any other applicable taxes, fees and charges. PALECO shall also pay EPI a payment security equivalent to one month fee, which shall be in the form of a thirty (30)-day revolving letter of credit from a financial institution and with a maturity of three hundred sixty five (365) days. As at December 31, 2021, ERC's approval of the sub-transmission facility has not yet been acquired.

j. Investment Agreement

On August 24, 2015, an Investment Agreement was executed by and among BGI, OGIPL, BGHI, EPI, and BHI. The said agreement sets out the principal terms and fundamental transactions pursuant to which BHI shall invest in BGI and the Biliran Geothermal Project, the respective rights and obligations of parties to the project, and the strategic arrangements for the management and operation of BGI and the project. The Investment Agreement provides that:

- BGI shall increase its authorized capital stock by 1,845,000 common shares, with par value of ₱1 per share within sixty (60) days from the signing of the agreement.
- BHI shall subscribe to the said increase in the authorized capital stock of BGI.
- BGI shall undertake to procure that all its stockholders of record at the time of the subscription shall waive any pre-emptive right, right of first refusal or preferential right of subscription to the first subscription shares in favor of BHI.
- BGHI shall then purchase from Filtech Energy Drilling Corp. (FEDCO) its shares in BGI.
- BGI shall apply for quasi-reorganization in respect of its authorized capital stock prior to the subscription of BHI in order to apply all of its additional paid-in capital to its deficit and to increase its authorized capital stock, and convert all the issued and outstanding existing preferred shares of BGI into common shares.
- BHI shall further subscribe to 88,155,000 common shares of BGI as part of the second subscription. Thereupon, BGI shall convert ₱58.8 million BGHI receivables into common shares in favor of BGHI.
- BGHI shall sell and BHI shall purchase 60% of BGHI's receivables from BGI and the parties shall cause the conversion of the said receivables into redeemable preferred non-voting shares.
- BHI shall pledge all of the redeemable preferred non-voting shares it received from BGI to BGHI as security for the payment of the amount equal to the face value of the BGHI's receivables and new BGHI receivables purchased by BHI.



The Investment Agreement also states that BGHI and BHI shall each maintain their respective shareholding percentage in BGI's equity capital at 40% and 60%, respectively, unless otherwise agreed in writing. Either BGHI or BHI may freely transfer its shares, except that no transfer shall be made by a party to any person if such transfer would reduce the stock ownership of Filipino citizens in BGI to less than the required percentage of the capital stock as provided by existing applicable law.

As at December 31, 2021, BGI has implemented the following:

- BGI increased its authorized capital stock by 1,845,000 common shares with par value of ₱1 per share;
- BHI subscribed to 1,845,000 shares of BGI at par value;
- BGHI purchased FEDCO's shares in BGI;
- Amendment of the Articles of Incorporation of BGI to reclassify 492,000 preferred shares with par value of ₱1 into common shares with par value of ₱1 per share;
- Amendments of BGI's by-laws to incorporate all the provisions of the October 22, 2015 Shareholder's Agreement; and
- BHI and BGHI's 60% and 40% ownership of the outstanding capital stocks of BGI, in accordance with the Investment Agreement.

k. Participation and Shareholder's Agreement

In May 2011, the Parent Company and SMM signed a Participation and Shareholder's Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest US\$1.5 million in CExCI for 25% equity. Once such funds have been exhausted, SMM has the option to invest US\$2.8 million for an additional 15% equity which would bring its total equity in CExCI to 40%. SMM did not exercise its option to make the additional investment and the said agreement was terminated.

CExCI has identified a new property for exploration and development in the province of Zambales under Newminco, which is prospective for gold and copper. In relation to this, SMM put up an additional US\$2.8 million to increase its ownership from 25% to 40%. On November 24, 2015, the shareholders of CExCI agreed to enter into a new Participation and Shareholder's Agreement to set out the rights and obligations of the shareholders in relation to the conduct of the business of CExCI. The new agreement also causes CExCI to convert the existing advances from shareholders amounting to ₱37.2 million into equity, based on the initial equity proportion of shareholders, by issuing shares out of the unissued authorized capital stock of CExCI at a premium. CExCI has filed the application for the conversion of advances into equity with the SEC. As at December 31, 2021, CExCI is still waiting for the SEC's approval of the conversion of advances into equity.

On December 18, 2015, the BOD of CExCI approved the increase in authorized capital stock of the latter. Upon approval of the SEC of the application for increase in authorized capital stock of CExCI, the additional investment of SMM amounting to US\$2.8 million, which is equivalent to ₱131.9 million, will be converted into equity. After the conversion, the Parent Company and SMM's equity in CExCI shall be 57% and 40%, respectively. As at December 31, 2021 and 2020, SMM made an additional advances to CExCI for a total amount of ₱131.7 million and ₱92.6 million, respectively, following the equity cash call made by the latter.





l. Marketing Agreement with Mitsubishi Corporation and/or Mitsubishi Corporation RTM China Limited (MCRCL)

TMC and HMC entered into a Marketing Agreement with Mitsubishi Corporation and/or MCRCL, wherein the latter will provide the services set forth below:

- a) To use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
- b) To periodically report market information defined in the marketing agreement;
- c) To make efforts to introduce customers to TMC and HMC and provide support to the Group in negotiating the price and terms and conditions of sales contracts of the products by and between the Group and customers; and
- d) To monitor and assess trends of customers and support TMC and HMC to create an effective pricing strategy and marketing plan.

Marketing fees of 3.5% shall be charged to TMC and HMC based on the total amount of revenue on FOB price stated in the invoices issued by TMC and HMC to each customer.

Marketing fees charged by Mitsubishi Corporation and/or MCRCL amounted to ₱30.7 million, ₱32.6 million and ₱30.2 million in 2021, 2020 and 2019, respectively, are part of marketing expenses in the consolidated statements of income.

m. Lease Agreements

*Lease Agreement with THNC*

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties. TMC's rental income from the said lease amounted to ₱7.1 million in 2021 and ₱6.9 million in 2020 and 2019 and part of rent income under "Other income (charges) - net" (see Notes 31 and 34). In the above lease agreement, it was agreed by TMC and THNC that the option fee of ₱83.8 million received in 2010 shall be treated as advance rental and shall be deducted from the annual rental fee. The same shall be equally applied to each year of the lease term or ₱4.2 million each year of the twenty (20) year lease term.

As at December 31, 2021 and 2020, the carrying value of deferred income - net of current portion amounted to ₱41.9 million and ₱46.1 million, respectively.

*Lease Contract with the DENR*

TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 sq. m. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.



*Aircraft Lease Agreement with WAISC*

On December 10, 2019, CPDL and WAISC entered into an agreement for the lease of an aircraft, the Cessna Citation CJ4 Model 525C (or Citation CJ4), for a monthly rental fee of US\$1,000, inclusive of all applicable taxes, for a period of five (5) years and shall continue in increments of one (1) month, unless terminated earlier. On December 9, 2020, CPDL and WAISC agreed to amend the rental fees to US\$76,690 per month effective from January 1 to December 31, 2020. The above lease agreement was extended for another year or until December 31, 2021.

n. PEZA and Board of Investments (BOI) Registration

*Registration with PEZA - TMC*

On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680 hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte and known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended.

On December 27, 2016, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay 5% final tax on gross income. TMC's certification from PEZA as well as its VAT zero rating entitlement is valid from January 1 to December 31, 2021 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

*Registration with PEZA - RTN*

On December 27, 2002, RTN registered with the PEZA as the developer/operator of Rio Tuba Processing Zone, located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The PEZA-registered activities are entitled to certain tax and nontax incentives. Starting 2003, such activities are already subject to 5% final tax on gross income in lieu of national and local taxes and licenses except those required to be paid under the MPSA dated June 4, 1998 executed by and between the DENR and RTN. RTN's certification from PEZA is valid from January 1 to December 31, 2021 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

*Registration with SBMA - JSI*

On January 20, 2011, JSI was registered with the SBMA as a Subic Bay Freeport Enterprise, primarily to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and system at Mt. Sta. Rita, SBFZ. The SBMA-registered activities are entitled to certain tax and non-tax incentives. In lieu of paying the regular taxes, JSI pays 5% final tax on gross income, subject to the condition that JSI's income from sources within the Custom Territory should not exceed 30% of its total income from all sources. Otherwise, JSI shall be subject to the income tax laws of the Custom Territory. JSI's Certificate of Registration and Tax Exemption is valid until July 2022.



*BOI Certifications*

CMC, HMC, RTN and TMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled “Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales”. The certifications are valid from January 1 to December 31, 2021 and renewable annually, unless sooner revoked by the BOI Governing Board.

As at March 10, 2022, CMC, HMC, RTN and TMC received the renewal of their BOI certification which is valid from January 1 to December 31, 2022.

On April 29, 2014, BGI was registered with the BOI in accordance with the provision of the Omnibus Investment Code of 1987, as amended, as a new RE developer of geothermal energy resources.

On August 27, 2014, MGPC was registered with the BOI as a RE developer of geothermal energy resources. BOI has issued the certificate of registration of MGPC on October 7, 2016.

o. Share Purchase Agreements

*SMM*

On September 15, 2016, the Parent Company and SMM executed a SPA wherein the latter agreed to purchase the Parent Company’s 511,875,000 shares in THNC, representing 12.5% of the outstanding capital stock of THNC, at a purchase price of US\$42.0 million, which is equivalent to ₱2,037.2 million. The sale and purchase of the shares was consummated upon the written consent of Japan Bank for International Cooperation.

The SPA also provides that for a period of eighteen (18) years but no earlier than three (3) years from the execution of the SPA, the Parent Company shall have the right to repurchase from SMM such number of shares of THNC equivalent to 12.5% equity ownership therein at the time when the right is exercised. The repurchase right can only be exercised once.

*MOA with SMM*

Pursuant to the SPA with SMM, the Parent Company and SMM also agreed on September 15, 2016 that effective July 1, 2016, their responsibility to provide loans and guarantee obligations of THNC shall be 10% and 75%, respectively.

*TBEA*

On November 12, 2019, EPI, TBEA and JSI entered into a Share Sale and Purchase Agreement, which sets out the terms and conditions in respect of the purchase from EPI by TBEA of up to 20% of the total issued shares of JSI, equivalent to 340,729,548 shares.

On June 17, 2020, TBEA acquired 10% ownership interest in JSI for a total consideration of ₱144.3 million.

p. Option Agreement

*Option to Purchase CBNC Shares*

On December 22, 2021, the Parent Company was granted a one-time option to purchase CBNC shares from SMM equivalent to 33,046,875 shares or 5.625% of the total number of CBNC’s issued shares on the condition that the number of CBNC’s total outstanding shares is 587,500,000. The share purchase price will be US\$25.9 million. The option can be exercised for a period of one (1) month after eight (8) months from the closing date of the transfer transaction



among SMM, Sojitz and Mitsui. The closing date of the sale and purchase transaction between the Parent Company and SMM will be no earlier than twelve (12) months after the execution of the Deeds of Absolute Sale of Shares,

q. Aircraft Purchase Agreement and Related Contracts

*Option Agreement*

On April 24, 2013, RTN secured an option to purchase an aircraft, described as Citation XLS+, with WAC. The Option Agreement granted RTN the absolute and exclusive right to purchase the said aircraft which is exercisable anytime within the twelve (12) year term. In consideration, RTN paid an option fee of US\$2.3 million (equivalent to ₱97.8 million) which shall be fully deducted from the purchase price of the aircraft once the option is exercised.

*Assignment of the Option Agreement*

On August 19, 2019, RTN assigned to CPDL its absolute and exclusive right to purchase the Citation XLS+ from WAC. In consideration of the assignment, CPDL paid an option fee of US\$0.9 million (equivalent to ₱48.0 million) to RTN.

The remaining balance of the deposit for aircraft acquisition of RTN amounting to ₱51.1 million was written-off in 2019 (see Note 31). Consequently, CPDL also written-off the option fee paid to RTN amounting to US\$0.9 million (equivalent to ₱48.0 million; see Note 31).

*Loan Agreement with World Aviation Corporation (WAC)*

On October 11, 2019, WAC executed a promissory note to pay the loan issued by CPDL amounting to US\$5.1 million (equivalent to ₱263.8 million). The principal is due for payment on October 22, 2019. In full settlement of the loan, WAC offered to transfer, by way of dation in payment, all of its rights as the registered owner of an aircraft described as Citation XLS+.

*Aircraft Purchase Agreement (APA) and Trade-In Agreement*

On August 19, 2019, CPDL entered into an APA with Textron Aviation Inc. (Textron) to purchase Citation CJ4 with serial number 525C-0256 for a total consideration of US\$9.3 million (equivalent to ₱471.2 million). In relation to this, CPDL and Textron also entered into a Trade-In Agreement, which is part of the APA, wherein they agreed to trade-in the used aircraft, particularly described as Citation XLS+ with serial number 560-6147, for Citation CJ4 for a corresponding trade-in value of US\$6.0 million (equivalent to ₱303.8 million). The difference in the purchase price of Citation CJ4 and Citation XLS+ was paid in cash by CPDL. The Citation CJ4 was delivered in December 2019.

On December 10, 2019, CPDL and Textron agreed to amend the Trade-In Agreement based on the findings of the trade-in inspections as follows:

- a) US\$5.9 million will be paid by Textron to CPDL when the trade-in aircraft is delivered to Textron
- b) US\$0.1 million will be held by Textron for up to six (6) months after the delivery date of the trade-in aircraft to Textron to be applied toward the repair or replacement of the already identified airworthiness discrepancies as well as any airworthiness discrepancies that are discovered during the replacement of the RH engine combustion liner.
- c) If the cost of the repair or replacement of the already identified airworthiness discrepancies as well as any airworthiness discrepancies that are discovered during the replacement of the RH engine combustion liner is less than US\$0.1 million, Textron will pay to CPDL the difference between the cost of repairs or replacement of the airworthiness discrepancies.

The trade-in of aircrafts in 2019 resulted to a gain of ₱40.0 million (see Note 31).



r. Other Agreements

*Project Funding, Build and Transfer Agreement with SRE*

On July 24, 2021, BGI and SRE signed a Project Funding, Build and Transfer Agreement for SRE to (i) finance, design, construct, install and transfer to BGI a geothermal powerplant in phases, using the existing geothermal wells and (ii) finance, design, construct, rehabilitate and upgrade the existing 13.2kV distribution lines of Biliran Electric Cooperative, Inc. for the purpose of evacuating power from the geothermal facility to the grid. The agreement is effective upon its signing and, unless earlier terminated or extended, shall be for a period of twenty-five (25) years from the project's commercial operation date. As at December 31, 2021, the equipment is being manufactured and the project has not yet commenced operation.

*Joint Undertaking with National Commission for Indigenous Peoples (NCIP)*

On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that 1% royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a MOA dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

*Agreement with Local Government Units*

RTN together with RTN Foundation, Inc. and CBNC entered into Agreements with the barangay councils and community residents covered in the SDMP as required by law and as one of the conditions of ECC. The Agreement stipulated that RTN and CBNC should meet the changing needs and demands of the communities and shall submit the SDMP every five (5) years to the MGB Region IV for approval. In addition, as part of the process of securing the consent of affected communities, the program must be prepared in consultation and in partnership with the project proponent and neighboring communities.

RTN incurred royalty payments to indigenous people amounting to ₱63.4 million in 2021, ₱46.8 million in 2020 and ₱32.6 million in 2019, in accordance with the SDMP.

*Suretyship Agreement with SBC*

On August 4, 2015, the Parent Company entered into a Suretyship Agreement with SBC to guarantee and warrant the prompt and full payment and performance of the guaranteed obligations, including increases, renewals, roll-overs, extensions, restructuring, conversions, amendments or novations, of EPI to SBC amounting to ₱3,000.0 million. The agreement shall remain in full force and effect until full payment of the guaranteed obligations is made.

In September 2017, EPI partially repaid its loan to SBC reducing the principal from ₱3,000.0 million to ₱1,500.0 million. At maturity, the remaining balance of the loan of ₱1,500.0 million was renewed by EPI for another year (see Note 15).

*Retail Supply Contract*

On November 11, 2016, MEI entered into a contract with Manta for the supply of electricity to meet Manta's full power requirements for the NAC Tower. The contract is for a period of two (2) years commencing on December 26, 2016, and was extended until 2019 upon mutual consent of both parties. In each billing month throughout the term of the contract, Manta shall take and pay MEI's minimum energy quantity of 255,000 kilowatt-hour (kWh). Manta shall also pay a security deposit amounting to ₱2.9 million, which shall stand as security for the faithful and proper compliance by Manta of its obligations under the contract. On September 18, 2019, EPI sold all its investment in MEI.



MEI recognized revenue from this contract amounting to nil in 2021 and 2020 and ₱19.1 million in 2019 (see Note 34).

*Other Matters*

• Updates in the Philippine Mining Industry

On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of seventy five (75) MPSAs considered to be situated in watersheds. Show cause orders were issued to the concerned mining companies, which were given seven (7) days to respond.

On February 13, 2017, HMC received a letter from DENR stating that MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of RA No. 7942 or the “Philippine Mining Act of 1995” as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company’s position that there are no legal and technical grounds to support the cancellation of HMC’s MPSA.

The Parent Company will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC’s operations, much less the cancellation of its MPSA.

RTN, TMC and CMC were not included in the list of mining operations recommended for suspension or closure by the DENR.

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**41. Events after the End of the Financial Reporting Period**

*Dividend Declaration*

On March 10, 2022, the Parent Company’s BOD declared regular cash dividends of ₱0.17 per share and special cash dividends of ₱0.05 per share to stockholders of record as at March 24, 2022 which will be paid on April 7, 2022.

*Acquisition of Additional Shares in CBNC*

On March 10, 2022, the Parent Company’s BOD approved to exercise the option to purchase an additional 33,046,875 common shares in CBNC, equivalent to 5.625% ownership, pursuant to the Option Agreement executed by the Parent Company and SMM. The Parent Company intends to exercise its option in October 2022 or earlier.



42. Supplemental Disclosure to Consolidated Statements of Cash Flows

	2021	2020
<i>Noncash investing activities</i>		
Application of commission and royalties payable, net of withholding taxes and interest, against loan receivable from East Coast (see Notes 5 and 13)	₱295,035	₱262,853
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Notes 9 and 16)	144,509	155,884
Recognition of ROU asset - land, building and leasehold improvements (see Note 9)	-	10,031
Donated asset	-	988

Changes in Liabilities Arising from Financing Activities

	2021					
	January 1	Cash flows	Foreign exchange movement	Reclassification	Others	December 31
<i>Current</i>						
<b>Dividends payable, gross of final withholding tax</b> (see Note 14)	₱700,000	(₱7,854,387)	₱-	₱-	₱9,129,387	₱1,975,000
<b>Interest payable</b> (see Note 14)	9,950	(96,168)	(2,865)	-	104,560	15,477
<b>Short-term debts</b> (see Note 15)	1,492,654	(11,010)	-	-	11,272	1,492,916
<b>Other current liability</b>	261,691	39,040	-	-	-	300,731
<b>Current portion of:</b>						
<b>Long-term debts</b> (see Note 15)	84,040	(75,546)	4,314	76,440	-	89,248
<b>Lease liabilities</b> (see Note 35)	30,982	(56,514)	-	6,732	54,554	35,754
<b>Long-term payable</b> (see Note 17)	7,000	(7,000)	-	6,693	-	6,693
<i>Noncurrent</i>						
<b>Long-term debts</b> (see Note 15)	893,409	13,321	36,668	(76,440)	153	867,111
<b>Lease liabilities</b> (see Note 35)	584,922	-	-	(6,732)	-	578,190
<b>Long-term payable</b> (see Note 17)	6,093	-	-	(6,693)	600	-
<b>Total liabilities used in financing activities</b>	₱4,070,741	(₱8,048,264)	₱38,117	₱-	₱9,300,526	₱5,361,120



	2020					
	January 1	Cash flows	Foreign exchange movement	Reclassification	Others	December 31
<i>Current</i>						
Dividends payable, gross of final withholding tax (see Note 14)	₱641,222	(₱5,731,929)	₱-	₱-	₱5,790,707	₱700,000
Interest payable (see Note 14)	11,365	(123,810)	(4,703)	-	127,098	9,950
Short-term debts (see Note 15)	1,492,404	(11,047)	-	-	11,297	1,492,654
Other current liability	221,079	40,612	-	-	-	261,691
Current portion of:						
Long-term debts (see Note 15)	88,611	(75,546)	(5,816)	76,790	1	84,040
Lease liabilities (see Note 35)	25,141	(55,149)	-	6,646	54,344	30,982
Long-term payable (see Note 17)	5,000	(5,000)	-	7,000	-	7,000
<i>Noncurrent</i>						
Long-term debts (see Note 15)	930,418	94,976	(55,245)	(76,790)	50	893,409
Lease liabilities (see Note 35)	581,537	-	-	(6,646)	10,031	584,922
Long-term payable (see Note 17)	12,300	-	-	(7,000)	793	6,093
Total liabilities used in financing activities	₱4,009,077	(₱5,866,893)	(₱65,764)	₱-	₱5,994,321	₱4,070,741

Others include the effect of accrual of dividends, including those that were not yet paid at year-end, effect of interest accrued but not yet paid on interest-bearing loans, accretion of interest on long-term payable and lease liabilities and amortization of debt issue cost.

#### 43. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore, limestone and quarry materials.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC, THNC and other parties and leasing of aircraft to WAISC.

The power segment is engaged in power generation and exploration for geothermal resources.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group is also using net income (loss) in evaluating total performance. Net income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company.

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, inventories, financial assets at FVTPL, at FVOCI and at amortized cost, property and equipment, investments in associates and other noncurrent assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables, short-term and long-term debts and other liabilities. Segment assets and liabilities do not include deferred income taxes.





The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRSs.

There were no changes from prior periods in the measurement methods used to determine the reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.



The Group's identified reportable segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

Financial information on the operation of the various business segments are as follows:

	2021											Eliminations	Total
	Mining					Power		Services					
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC/ CDTN	HMC	Others			
External customers	₱2,679,029	₱5,099,158	₱12,122,366	₱6,337,013	₱12,548	₱341,437	₱166,494	₱646,070	₱-	₱-	₱-	₱-	₱27,404,115
Inter-segment revenues	-	-	-	-	-	-	-	45,298	-	952,449	(997,747)	-	-
<b>Total revenues</b> (see Notes 34 and 40)	<b>2,679,029</b>	<b>5,099,158</b>	<b>12,122,366</b>	<b>6,337,013</b>	<b>12,548</b>	<b>341,437</b>	<b>166,494</b>	<b>691,368</b>	<b>-</b>	<b>952,449</b>	<b>(997,747)</b>	<b>-</b>	<b>27,404,115</b>
Cost of sales	1,256,158	1,542,726	2,871,798	1,924,959	16,200	-	-	-	-	-	-	-	7,611,841
Cost of power generation	-	-	-	-	-	257,306	103,815	-	-	-	-	-	361,121
Cost of services	-	-	-	-	-	-	-	321,622	-	-	-	-	321,622
Excise taxes and royalties	241,113	935,101	1,212,237	316,851	627	-	-	-	-	-	-	-	2,705,929
Shipping and loading costs	251,402	556,109	1,082,783	353,539	2,224	-	-	-	9,513	-	-	-	2,255,570
Marketing	-	178,470	30,651	-	-	-	-	-	-	-	-	-	209,121
<b>Segment operating earnings (loss)</b>	<b>₱930,356</b>	<b>₱1,886,752</b>	<b>₱6,924,897</b>	<b>₱3,741,664</b>	<b>(₱6,503)</b>	<b>₱84,131</b>	<b>₱62,679</b>	<b>₱369,746</b>	<b>(₱9,513)</b>	<b>₱952,449</b>	<b>(₱997,747)</b>	<b>-</b>	<b>₱13,938,911</b>
General and administrative	₱75,799	₱68,021	₱109,775	₱96,044	₱130,630	₱65,452	₱-	₱9,052	₱-	₱591,134	₱-	₱-	₱1,145,907
Finance income	₱2,450	₱19,312	₱7,341	₱8,470	₱24	₱141	₱308	₱74	₱-	₱123,955	₱-	₱-	₱162,075
Finance expenses	₱1,495	₱4,727	₱20,133	₱14,813	₱1,461	₱141,416	₱-	₱19,363	₱-	₱40,673	₱-	₱-	₱244,081
Provision for (benefit from) income tax	₱190,880	₱377,871	₱1,613,485	₱871,191	(₱44,869)	₱2,184	₱-	₱-	(₱6,370)	₱327,908	₱-	₱-	₱3,332,280
<b>Net income (loss) attributable to equity holders of the parent</b>	<b>₱672,978</b>	<b>₱1,469,124</b>	<b>₱3,565,558</b>	<b>₱1,910,206</b>	<b>(₱93,571)</b>	<b>(₱148,086)</b>	<b>₱62,994</b>	<b>₱303,522</b>	<b>₱-</b>	<b>₱69,850</b>	<b>₱-</b>	<b>₱-</b>	<b>₱7,812,575</b>
Segment assets	₱1,355,658	₱2,446,854	₱11,955,993	₱6,291,416	₱1,406,533	₱13,560,773	₱742,447	₱122,634	₱21,380	₱13,487,448	₱-	₱-	₱51,391,136
Deferred income tax assets - net	38,905	31,550	-	108,884	105,836	1,047	-	-	-	23,524	-	-	309,746
<b>Total assets</b>	<b>₱1,394,563</b>	<b>₱2,478,404</b>	<b>₱11,955,993</b>	<b>₱6,400,300</b>	<b>₱1,512,369</b>	<b>₱13,561,820</b>	<b>₱742,447</b>	<b>₱122,634</b>	<b>₱21,380</b>	<b>₱13,510,972</b>	<b>₱-</b>	<b>₱-</b>	<b>₱51,700,882</b>
Segment liabilities	₱301,164	₱521,322	₱3,829,473	₱1,807,701	₱150,480	₱7,776,165	₱8,556	₱27,130	₱-	₱438,263	₱-	₱-	₱14,860,254
Deferred income tax liabilities - net	-	-	13,645	68,669	136,754	98,429	-	-	5,483	188,448	-	-	511,428
<b>Total liabilities</b>	<b>₱301,164</b>	<b>₱521,322</b>	<b>₱3,843,118</b>	<b>₱1,876,370</b>	<b>₱287,234</b>	<b>₱7,874,594</b>	<b>₱8,556</b>	<b>₱27,130</b>	<b>₱5,483</b>	<b>₱626,711</b>	<b>₱-</b>	<b>₱-</b>	<b>₱15,371,682</b>
<i>Other segment information:</i>													
Capital expenditures	₱38,172	₱111,766	₱338,863	₱159,962	₱26,670	₱1,088,859	₱-	₱2,191	₱-	₱7,950	₱-	₱-	₱1,774,433
Depreciation, amortization and depletion	₱127,661	₱189,356	₱651,852	₱268,065	₱45,597	₱196,062	₱55,876	₱220	₱9,513	₱75,937	₱-	₱-	₱1,620,139

	2020												
	Mining					Power		Services			Eliminations	Total	
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others			
External customers	₱1,991,195	₱5,078,125	₱9,106,145	₱4,678,504	₱-	₱124,144	₱164,014	₱629,454	₱-	₱-	₱-	₱-	₱21,771,581
Inter-segment revenues	-	-	-	-	-	-	-	-	-	789,423	(789,423)	-	-
Total revenues (see Notes 34 and 40)	1,991,195	5,078,125	9,106,145	4,678,504	-	124,144	164,014	629,454	-	789,423	(789,423)	-	21,771,581
Cost of sales	1,048,457	1,544,636	2,872,321	2,054,567	-	-	-	-	-	-	-	-	7,519,981
Cost of power generation	-	-	-	-	-	211,818	101,432	-	-	-	-	-	313,250
Cost of services	-	-	-	-	-	-	-	328,562	-	-	-	-	328,562
Excise taxes and royalties	179,208	920,655	910,614	233,925	-	-	-	-	-	-	-	-	2,244,402
Shipping and loading costs	232,748	581,788	1,022,254	276,476	-	-	-	-	9,513	-	-	-	2,122,779
Marketing	-	175,429	32,649	-	-	-	-	-	-	-	-	-	208,078
<b>Segment operating earnings (loss)</b>	<b>₱530,782</b>	<b>₱1,855,617</b>	<b>₱4,268,307</b>	<b>₱2,113,536</b>	<b>₱-</b>	<b>(₱87,674)</b>	<b>₱62,582</b>	<b>₱300,892</b>	<b>(₱9,513)</b>	<b>₱789,423</b>	<b>(₱789,423)</b>	<b>₱-</b>	<b>₱9,034,529</b>
General and administrative	₱84,575	₱57,352	₱106,950	₱96,756	₱129,101	₱60,116	₱-	₱-	₱-	₱582,816	₱-	₱-	₱1,117,666
Finance income	₱1,333	₱28,062	₱22,601	₱16,775	₱32	₱146	₱2,302	₱-	₱-	₱167,042	₱-	₱-	₱238,293
Finance expenses	₱1,748	₱4,668	₱15,894	₱13,191	₱1,973	₱153,027	₱-	₱31,509	₱-	₱52,492	₱-	₱-	₱274,502
Provision for (benefit from) income tax	₱101,026	₱473,458	₱1,137,649	₱592,949	(₱39,059)	(₱949)	₱-	₱-	(₱2,854)	₱56,630	₱-	₱-	₱2,318,850
Net income (loss) attributable to equity holders of the parent	₱345,649	₱1,298,806	₱1,844,887	₱938,086	(₱91,980)	(₱256,237)	₱64,888	₱300,891	₱-	(₱376,258)	₱-	₱-	₱4,068,732
Segment assets	₱1,582,753	₱2,870,615	₱10,241,256	₱4,988,713	₱1,353,208	₱12,643,376	₱852,992	₱-	₱38,958	₱13,734,155	₱-	₱-	₱48,306,026
Deferred income tax assets - net	52,232	47,420	64,436	188,983	88,256	364	-	-	-	165,573	-	-	607,264
<b>Total assets</b>	<b>₱1,634,985</b>	<b>₱2,918,035</b>	<b>₱10,305,692</b>	<b>₱5,177,696</b>	<b>₱1,441,464</b>	<b>₱12,643,740</b>	<b>₱852,992</b>	<b>₱-</b>	<b>₱38,958</b>	<b>₱13,899,728</b>	<b>₱-</b>	<b>₱-</b>	<b>₱48,913,290</b>
Segment liabilities	₱280,715	₱547,605	₱3,027,714	₱1,693,564	₱167,733	₱7,600,393	₱7,547	₱-	₱-	₱490,031	₱-	₱-	₱13,815,302
Deferred income tax liabilities	-	-	-	132,938	164,105	98,732	-	-	11,853	93,571	-	-	501,199
<b>Total liabilities</b>	<b>₱280,715</b>	<b>₱547,605</b>	<b>₱3,027,714</b>	<b>₱1,826,502</b>	<b>₱331,838</b>	<b>₱7,699,125</b>	<b>₱7,547</b>	<b>₱-</b>	<b>₱11,853</b>	<b>₱583,602</b>	<b>₱-</b>	<b>₱-</b>	<b>₱14,316,501</b>
<i>Other segment information:</i>													
Capital expenditures	₱87,688	₱110,263	₱498,191	₱445,251	₱9,841	₱967,453	₱3,330	₱-	₱-	₱10,831	₱-	₱-	₱2,132,848
Depreciation, amortization and depletion	₱145,621	₱176,627	₱593,715	₱184,958	₱45,390	₱161,443	₱57,178	₱-	₱9,513	₱70,815	₱-	₱-	₱1,445,260



	2019											
	Mining					Power		Services			Eliminations	Total
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others		
External customers	₱1,710,882	₱3,639,129	₱8,239,455	₱3,259,849	₱-	₱235,557	₱156,694	₱681,728	₱-	₱-	₱-	₱17,923,294
Inter-segment revenues	-	-	-	-	-	-	-	-	6,905	623,372	(630,277)	-
Total revenues (see Notes 34 and 40)	1,710,882	3,639,129	8,239,455	3,259,849	-	235,557	156,694	681,728	6,905	623,372	(630,277)	17,923,294
Cost of sales	833,501	1,380,403	3,043,958	1,848,008	-	-	-	-	-	-	-	7,105,870
Cost of power generation	-	-	-	-	-	261,072	116,395	-	-	-	-	377,467
Cost of services	-	-	-	-	-	-	-	331,819	-	-	-	331,819
Excise taxes and royalties	153,979	646,373	823,945	163,026	-	-	-	-	-	-	-	1,787,323
Shipping and loading costs	222,206	510,593	849,888	174,816	-	-	-	-	9,513	-	-	1,767,016
Marketing	10,375	126,870	19,786	-	-	-	-	-	-	-	-	157,031
<b>Segment operating earnings (loss)</b>	<b>₱490,821</b>	<b>₱974,890</b>	<b>₱3,501,878</b>	<b>₱1,073,999</b>	<b>₱-</b>	<b>(₱25,515)</b>	<b>₱40,299</b>	<b>₱349,909</b>	<b>(₱2,608)</b>	<b>₱623,372</b>	<b>(₱630,277)</b>	<b>₱6,396,768</b>
General and administrative	₱104,543	₱57,647	₱108,998	₱96,443	₱148,747	₱96,190	₱-	₱-	₱-	₱543,416	₱-	₱1,155,984
Finance income	₱3,858	₱35,782	₱61,036	₱37,900	₱31	₱190	₱3,411	₱-	₱-	₱263,390	₱-	₱405,598
Finance expenses	₱3,553	₱6,057	₱15,816	₱13,723	₱2,437	₱180,979	₱-	₱49,581	₱-	₱71,509	₱-	₱343,655
Provision for (benefit from) income tax	₱98,961	₱233,654	₱990,870	₱303,804	(₱7,572)	(₱14,313)	₱-	₱-	(₱2,854)	₱52,956	₱-	₱1,655,506
Net income (loss) attributable to equity holders of the parent	₱281,948	₱686,503	₱1,718,365	₱441,419	(₱143,717)	(₱231,716)	₱43,710	₱349,908	₱-	(₱461,451)	₱-	₱2,684,969
Segment assets	₱1,579,961	₱3,110,111	₱11,102,061	₱4,007,523	₱1,332,289	₱11,603,132	₱1,009,087	₱-	₱48,764	₱13,970,761	₱-	₱47,763,689
Deferred income tax assets	46,338	47,143	128,207	131,690	69,959	2,922	-	-	-	72,005	-	498,264
<b>Total assets</b>	<b>₱1,626,299</b>	<b>₱3,157,254</b>	<b>₱11,230,268</b>	<b>₱4,139,213</b>	<b>₱1,402,248</b>	<b>₱11,606,054</b>	<b>₱1,009,087</b>	<b>₱-</b>	<b>₱48,764</b>	<b>₱14,042,766</b>	<b>₱-</b>	<b>₱48,261,953</b>
Segment liabilities	₱202,256	₱375,757	₱2,821,431	₱937,089	₱102,624	₱7,461,404	₱9,243	₱-	₱-	₱472,122	₱-	₱12,381,926
Deferred income tax liabilities - net	2,974	7,824	111,296	171,717	184,867	102,246	-	-	14,707	153,135	-	748,766
<b>Total liabilities</b>	<b>₱205,230</b>	<b>₱383,581</b>	<b>₱2,932,727</b>	<b>₱1,108,806</b>	<b>₱287,491</b>	<b>₱7,563,650</b>	<b>₱9,243</b>	<b>₱-</b>	<b>₱14,707</b>	<b>₱625,257</b>	<b>₱-</b>	<b>₱13,130,692</b>
<i>Other segment information:</i>												
Capital expenditures	₱104,037	₱211,762	₱426,525	₱113,717	₱70,535	₱128,608	₱3,871	₱-	₱-	₱196,468	₱-	₱1,255,523
Depreciation, amortization and depletion	₱175,130	₱182,632	₱583,756	₱170,666	₱37,419	₱160,771	₱55,823	₱-	₱9,513	₱28,655	₱-	₱1,404,365

Inter-segment revenues are eliminated upon consolidation.



The Group has revenues from external customers as follows:

Country of Domicile	2021	2020	2019
China	<b>₱19,445,867</b>	₱15,832,093	₱10,845,464
Local	<b>5,828,005</b>	5,045,212	5,208,949
Japan	<b>2,130,243</b>	894,276	1,868,881
	<b>₱27,404,115</b>	₱21,771,581	₱17,923,294

The revenue information above is based on the location of the customer. The local customers include CBNC and THNC, which are PEZA-registered entities.

Revenue from two (2) key customers for the sale of ores amounted to ₱16,053.3 million, ₱14,899.3 million and ₱9,806.9 million in 2021, 2020 and 2019, respectively.

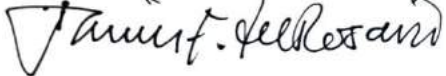


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated March 10, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules<sup>1</sup> are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

Tax Identification No. 102-096-009

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 56915-SEC (Group A),

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-072-2020, November 27, 2020, valid until November 27, 2023

PTR No. 8853485, January 3, 2022, Makati City

March 10, 2022

<sup>1</sup> This includes:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsiidiaries, associates, wherever located or registered
- Supplementary schedules required by Annex 68-J:
  - Financial assets
  - Amounts receivable from directors, officers, employees, related parties, and principal stockholder (other than related parties)
  - Amounts of receivable from related parties which are eliminated during the consolidation of financial statements
  - Long-term debt
  - Indebtedness to related parties
  - Guarantees of securities of other issuers
  - Capital stock



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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	<u><b>Schedule</b></u>
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Supplementary Schedules under Annex 68 - J	II
A. Financial Assets	
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	
C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements	
D. Intangible Assets - Other Assets	
E. Long-Term Debts	
F. Indebtedness to Affiliates and Related Parties (Short-term and Long-Term Debts with Related Companies)	
G. Guarantees of Securities of Other Issuers	
H. Capital Stock	
A Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries, Co-Subsidiaries and Associates	III
Schedule Showing Financial Soundness	IV

## SCHEDULE I

### NICKEL ASIA CORPORATION RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2021

Unappropriated retained earnings as at December 31, 2020, <i>as adjusted to available for dividend distribution</i>		₱14,161,448
<u>Add: Net income actually earned/realized during the period</u>		
Net income during the period closed to retained earnings	8,976,447	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gains - net, except those attributable to cash and cash equivalents	(125,333)	
Fair value adjustments	<u>(53,494)</u>	8,797,620
Less:		
Dividend declarations during the period	(6,134,387)	
Treasury stock	<u>(134,014)</u>	<u>(6,268,401)</u>
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION AS AT DECEMBER 31, 2021</b>		<b><u>₱16,690,667</u></b>



**SCHEDULE II**

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule A. Financial Assets  
December 31, 2021**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
Cash on hand and with banks	N/A	₱1,371,315	₱1,371,315	
Cash under managed funds	N/A	729,572	729,572	₱17,246
Cash equivalents	N/A	8,725,919	8,725,919	
<b>Cash and cash equivalents</b>		<b>₱10,826,806</b>	<b>₱10,826,806</b>	<b>₱17,246</b>
Trade	N/A	₱1,245,362	₱1,245,362	₱-
Dividend receivables	N/A	255,251	255,251	-
Current portion of loan receivable	N/A	202,772	202,772	10,296
Interest receivable	N/A	15,633	15,633	-
Amounts owed by related parties	N/A	4,193	4,193	-
Others	N/A	204,154	204,154	-
<b>Trade and other receivables</b>		<b>₱1,927,365</b>	<b>₱1,927,365</b>	<b>₱10,296</b>
Short-term cash investments	N/A	₱2,174,665	₱2,174,665	₱8,264
<b>Prepayments and other current assets</b>		<b>₱2,174,665</b>	<b>₱2,174,665</b>	<b>₱8,264</b>
Keyland Ayala Properties Inc.	3,056,198 shares	₱493,878	₱493,878	₱15,331
NiHao Mineral Resources International, Inc.	101,000,000 shares	104,030	104,030	-
Manila Golf and Country Club	1 share	83,000	83,000	-
PLDT Inc.	25,000 shares	45,300	45,300	2,050
Wack-Wack Golf and Country Club	1 share	44,000	44,000	-
Security Bank Corporation	58,027 shares	6,905	6,905	50
Eurasian Consolidated Minerals Pty. Ltd.	15,949,298 shares	4,887	4,887	-

(Forward)

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule A. Financial Assets  
December 31, 2021**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
JP Morgan Chase & Co. - debt and equity securities	various	P2,126,607	P2,126,607	P4,366
UBS Group AG - debt and equity securities	various	1,740,296	1,740,296	9,007
Morgan Stanley & Co International Plc. - debt and equity securities	various	833,831	833,831	4,600
BPI Asset Management - debt securities	various	269,967	269,967	208
Maybank ATR Kim Eng Capital Partners, Inc. - debt and equity securities	various	207,612	207,612	2,746
BDO Unibank, Inc. - debt and equity securities	various	37,580	37,580	125
DBS Private Bank - debt and equity securities	various	-	-	10,153
Security Bank Corporation - equity securities	various	-	-	7
<b>Financial assets at FVTPL</b>		<b>P5,997,893</b>	<b>P5,997,893</b>	<b>P48,643</b>
BPI Asset Management - debt securities	various	P553,387	P553,387	P25,855
Maybank ATR Kim Eng Capital Partners, Inc. - debt securities	various	476,454	476,454	8,219
Security Bank Corporation - debt securities	various	67,708	67,708	3,030
BDO Unibank, Inc. - debt securities	various	24,735	24,735	18,600
UBS Group AG - debt securities	various	-	-	35,810
DBS Private Bank - debt securities	various	-	-	1,542
<b>Financial assets at FVOCI</b>		<b>P1,122,284</b>	<b>P1,122,284</b>	<b>P93,056</b>

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**Schedule A. Financial Assets**  
**December 31, 2021**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
San Miguel Corporation	P200,000	P200,000	P200,000	P2,586
Aboitiz Equity Ventures, Inc.	P100,000	100,000	100,000	1,033
Retail Treasury Bond	P100,000	100,000	100,000	1,979
Ayala Land, Inc.	P25,000	25,000	25,000	1,052
SM Prime Holdings, Inc.	P25,000	25,000	25,000	1,034
DoubleDragon Properties Corporation	P10,000	10,000	10,000	488
Security Bank Corporation	-	-	-	1,162
PLDT Inc.	-	-	-	84
<b>Financial assets at amortized cost</b>		<b>P460,000</b>	<b>P460,000</b>	<b>P9,418</b>
Loan receivable - net of current portion	N/A	P63,130	P63,130	P3,252
Long-term negotiable instruments - net of current portion	N/A	40,000	40,000	1,390
<b>Other noncurrent assets</b>		<b>P103,130</b>	<b>P103,130</b>	<b>P4,642</b>
<b>Total</b>		<b>P22,612,143</b>	<b>P22,612,143</b>	<b>P191,565</b>

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)  
December 31, 2021**

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Noncurrent	Ending Balance
			Amount Collected	Amount Written- Off			
There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business, and eliminated in consolidation.							
<hr/> <hr/>							

## NICKEL ASIA CORPORATION

### Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements December 31, 2021

Name of Subsidiary	Balance At January 1, 2021	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
<i>In Thousands</i>								
Dinapigue Mining Corporation	₱862,595	₱219,321	(₱912)	₱-	₱-	₱-	₱1,081,004	₱1,081,004
Coral Pearl Developments Limited	24,846	375	(674)	1,094	-	25,641	-	25,641
Cordillera Exploration Co., Inc.	7,179	67	-	-	-	-	7,246	7,246
Hinatuan Mining Corporation	386	4,285	(3,565)	-	-	1,106	-	1,106
Rio Tuba Nickel Mining Corporation	781	6,679	(6,436)	-	-	1,024	-	1,024
Cagdianao Mining Corporation	673	7,437	(7,294)	-	-	816	-	816
Taganito Mining Corporation	689	6,096	(6,423)	-	-	362	-	362
CDTN Services Company Inc.	203	526	(702)	-	-	27	-	27
Emerging Power Inc.	17	70	(77)	-	-	10	-	10
Manta Equities Inc.	-	12	(10)	-	-	2	-	2
Jobin-SQM, Inc.	6	135	(141)	-	-	-	-	-
Mindoro Geothermal Power Corporation	-	9	(9)	-	-	-	-	-
	₱897,375	₱245,012	(₱26,243)	₱1,094	₱-	₱28,988	₱1,088,250	₱1,117,238

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule D. Intangible Assets - Other Assets**

**December 31, 2021**

Description	January 1, 2021	Additions At Cost	Deductions		Other Changes - Additions (Deductions)	December 31, 2021
			Charged to Costs and Expenses	Charged to Other Accounts		
<i>In Thousands</i>						
Geothermal exploration and evaluation assets <sup>(a)</sup>	₱1,819,859	₱30,077	₱-	₱-	₱-	₱1,849,936
<i>Other Noncurrent Assets</i> <sup>(b)</sup>						
Deferred mine exploration costs	1,348,515	49,195	-	-	-	1,397,710
Project development costs	118,287	-	-	(91,531)	-	26,756
Computer software - net	36,079	65,875	(39,561)	-	-	62,393
	<b>₱3,322,740</b>	<b>₱145,147</b>	<b>(₱39,561)</b>	<b>(₱91,531)</b>	<b>₱-</b>	<b>₱3,336,795</b>

(a) Disclosed in Note 11 to the Consolidated Financial Statements

(b) Disclosed in Note 13 to the Consolidated Financial Statements

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### Schedule E. Long-term Debts December 31, 2021

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
<i>In Thousands</i>				
<i>Long-term Debts</i>				
Taganito HPAL Nickel Corporation	P-	P89,248	P758,610	A
TBEA International Engineering Co., Ltd.	-	-	108,501	B
<i>Deferred Income</i>				
Taganito HPAL Nickel Corporation	-	4,314	41,899	C
<b>Total</b>	<b>P-</b>	<b>P93,562</b>	<b>P909,010</b>	

Remarks:

- A. Interest rate is based on prevailing 180-day LIBOR plus 2% spread; principal is payable in semi-annual installments of US\$875,000, payable in April and October until April 10, 2031.
- B. Interest rate is at 5% p.a.; principal is payable at maturity or on June 17, 2025.
- C. The obligation is covered by a Lease Agreement with THNC.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****Schedule F. Indebtedness to Affiliates and Related Parties (Short-term and Long-term Debts  
with Related Companies)****December 31, 2021**

Name of Affiliate	January 1, 2021	December 31, 2021
	<i>In Thousands</i>	
<i>Long-term Debts</i>		
Taganito HPAL Nickel Corporation	₱882,423	₱847,858
TBEA International Engineering Co., Ltd.	95,026	108,501
<i>Deferred Income</i>		
Taganito HPAL Nickel Corporation	50,555	46,213
	₱1,028,004	₱1,002,572



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule G. Guarantees of Securities of Other Issuers**

**December 31, 2021**

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
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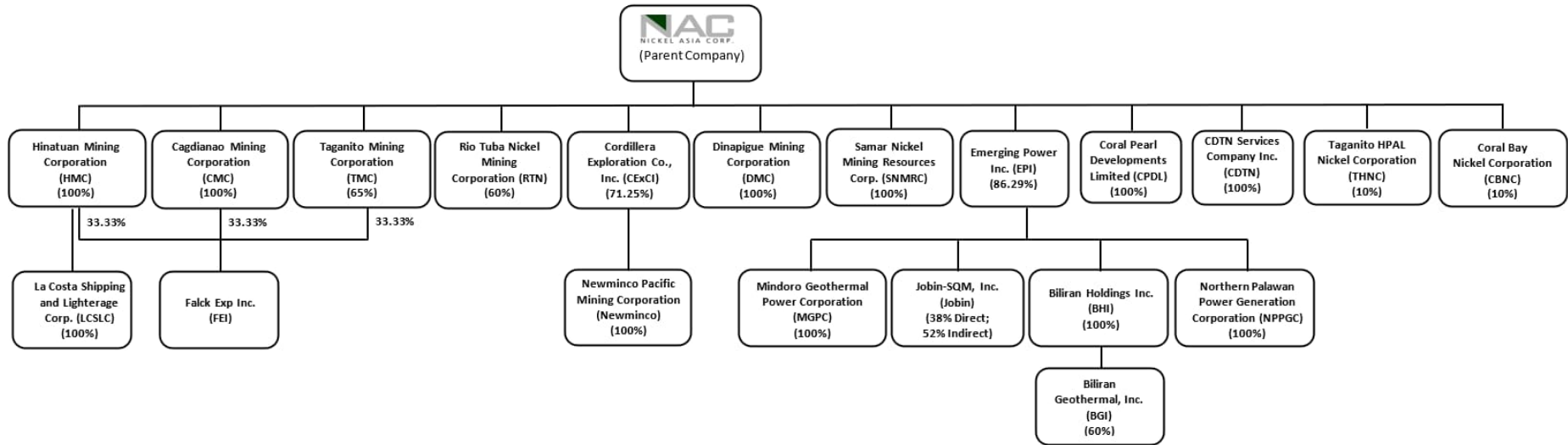
- Not applicable-

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****Schedule H. Capital Stock  
December 31, 2021**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	19,265,000,000	13,630,850,117	498,976,792	8,990,437,980	40,070,935	4,600,341,202
Preferred Stock	720,000,000	720,000,000	–	720,000,000	–	–

**SCHEDULE III**

**NICKEL ASIA CORPORATION AND SUBSIDIARIES  
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS  
ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES  
DECEMBER 31, 2021**



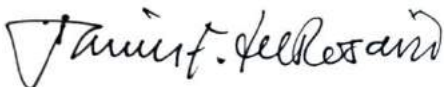
Note: There is no pyramid ownership structure and/or cross holding structure.

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 10, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

Tax Identification No. 102-096-009

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 56915-SEC (Group A),

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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BIR Accreditation No. 08-001998-072-2020, November 27, 2020, valid until November 27, 2023

PTR No. 8853485, January 3, 2022, Makati City

March 10, 2022



## SCHEDULE IV

### NICKEL ASIA CORPORATION AND SUBSIDIARIES SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS DECEMBER 31, 2021

Ratios	Formula	2021	2020
<i>A. Liquidity ratios</i>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>2.01</b>	2.01
Quick ratio	$\frac{\text{Current assets} - \text{Inventories} - \text{Prepayments and other}}{\text{Current liabilities}}$	<b>1.61</b>	1.72
Solvency ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	<b>3.36</b>	3.42
<i>B. Financial leverage ratios</i>			
Debt ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	<b>0.30</b>	0.29
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>0.42</b>	0.41
Asset-to-equity ratios	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>1.42</b>	1.41
Interest coverage	$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	<b>68.27</b>	35.32
<i>C. Profitability ratios</i>			
Net profit margin	$\frac{\text{Net income}}{\text{Revenue}}$	<b>0.39</b>	0.25
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	<b>0.21</b>	0.11
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	<b>0.29</b>	0.16
Gross profit margin	$\frac{\text{Sales} - \text{Costs}}{\text{Revenue}}$	<b>0.70</b>	0.63
Price/earnings ratio	$\frac{\text{Price per share}}{\text{EPS}}$	<b>9.39</b>	18.67

## Nickel Asia Corporation Annex A: Reporting Template

### Contextual Information

Company Details	
Name of Organization	Nickel Asia Corporation and Subsidiaries
Location of Headquarters	28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
Location of Operations	Bataraza, Palawan Tagana-an, Surigao del Norte Dinagat Islands Claver, Surigao Dinapigue, Isabela Bonifacio Global City, Taguig Mt. Sta. Rita, Subic Bay Free Port Zone
Report Boundary: Legal Entities Included in this Report	Rio Tuba Nickel Mining Corporation (RTN) Taganito Mining Corporation (TMC) Cagdianao Mining Corporation (CMC) Hinatuan Mining Corporation (HMC) Dinapigue Mining Corporation (DMC) Emerging Power Inc. (EPI) Jobin-SQM Inc. (JSI)
Business Model, including Primary Activities, Brands, Products, and Services	Production of lateritic nickel ore Renewable power
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person Responsible for this Report	Mr. Martin Antonio G. Zamora Chief Executive Officer, Nickel Asia Corporation

## Report Boundaries

Nickel Asia Corporation (NAC) reports on the progress of its Sustainability programs for its operating mines, namely Rio Tuba Nickel Mining Corporation (RTN), Taganito Mining Corporation (TMC), Hinatuan Mining Corporation (HMC), Cagdianao Mining Corporation (CMC), and Dinapigue Mining Corporation (DMC) along with Emerging Power Inc. (EPI). This report covers activities in the calendar year 2021 and was prepared in accordance with the GRI Standards: Core option. NAC uses a globally shared framework of indicators for transparency and consistent tracking of performance results, allowing our stakeholders a clear view of the Company's performance in the triple bottom line of economic, environmental, and social development.

## Performance Highlights

<b>ECONOMIC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>	<b>DMC</b>	<b>EPI</b>	<b>JSI</b>
1. Shareholding Percentage (%)	60%	65%	100%	100%	100%	86%	83%
<b>2. Financial Highlights (Million PhP)</b>							
Direct revenue generated	6,440	12,535	2,679	5,099	13	0	341
Costs and expenses	1,007	2,910	713	1,963	133	50	10
Total assets	6,230	11,957	1,395	2,484	984	5,224	6,204
Taxes, licenses, and fees paid	1,499	3,463	485	1,598	9	7	25
Employee compensation & benefits	658	754	210	195	29	30	17
Dividends to stockholders	1,800	6,500	800	1,900	0	0	0
Payments to suppliers	1,843	4,203	875	1,516	129	15	1,217
3. Amount of ore sold (Thousand WMT)	4,792	8,285	1,824	3,013	21	N/A	N/A
<b>ENVIRONMENTAL</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>	<b>DMC</b>	<b>EPI</b>	<b>JSI</b>
1. Total spending on environmental protection and enhancement program (EPEP) (PhP)	64,099,043	153,274,631	107,376,166	46,565,756	5,702,391	N/A	N/A
<b>2. Rehabilitation efforts (has.)</b>							
Number of hectares rehabilitated	6	40	60	9	1	N/A	N/A
<b>3. Reforestation efforts</b>							
Number of hectares reforested within Mineral Production Sharing Agreement (MPSA) area (has.)	0	22	60	411	N/A <sup>1</sup>	N/A	N/A
Number of hectares reforested outside MPSA area (has.)	0	4	4	43	12	N/A	N/A
<b>4. Pollution control</b>							
Total electricity generated (kWh)	N/A	N/A	N/A	N/A	N/A	N/A	73,656
Avoided emission TCO <sub>2</sub>	N/A	N/A	N/A	N/A	N/A	N/A	(30,352)

<sup>1</sup> DMC's still in the test shipment stage therefore no area is scheduled for reforestation

ENVIRONMENTAL	RTN	TMC	HMC	CMC	DMC	EPI	JSI
Consumption of energy (MWh)	2,275	3,051 <sup>2</sup>	684	1,242	240	15	927
Total fuel consumption – generator sets (liters)	224,542	106,025	213,229	476,213	108,133	N/A	2,500
Total fuel consumption – vehicles (liters)	9,621,816	12,790,219	727,821	9,040,442	82,544	1,665	15,683
Total Greenhouse Gas (GHG) emissions (TCO <sub>2</sub> e)	27,966	40,037	12,090	21,051	1,073	82	504
<b>5. Waste management</b>							
Amount of solid waste disposed (kgs) <sup>3</sup>	303,210	16,192	32,855	57,348	4,311	23	141,000
Volume of used oil (liters)	65,140	144,102	46,400	67,698	816	20	40
<b>6. Watershed management</b>							
Volume of silt collected (WMT)	78,371 <sup>4</sup>	440,706	61,284	63,989	2,099	N/A	N/A
Volume of water consumption (cubic meters)	11,302,149	211,427	2,247	83,954	9,829	22	22
Volume of water discharge (cubic meters)	11,302,149	179,870	2,247	206,114	3,406	0	926
<b>7. Land use</b>							
Disturbed (has.)	1,208	939	27	198	53	N/A	50
Rehabilitated (has.)	6	40	60	9	1	N/A	N/A
Other use (has.)	955	4,067	120	439	37	N/A	N/A

SOCIAL	RTN	TMC	HMC	CMC	DMC	JSI
<b>1. Employees</b>						
Number of people indirectly employed (through contractors)	861	790	220	1,431	60	67
Percentage of employees under collective bargaining agreement (CBA)	41%	58%	49%	39%	N/A	N/A
Average training hours/employee	25	2	15	35	20	9
<b>2. Health and Safety</b>						
Number of employees in health and safety committee	46	41	23	54	34	7
Total manhours	5,240,944	7,953,642	3,857,142	4,709,358	107,590	181,606
Incidence rate	0	5	2	0	1.5	0
Total lost days	0	0	0	0	0	0
<b>3. Communities</b>						
Total spend on Social Development and Management Program (SDMP) (PhP)	43,973,369.48	77,153,676.12	21,861,788.06	44,314,104.40	6,837,642.29	N/A
Population of neighboring communities	51,112	18,249	20,727	5,460	6,037	13,420
Number of Indigenous People	21,075	700	N/A	N/A	1,078	1,794

<sup>2</sup> Increase due to additional and new installations

<sup>3</sup> Decrease from 2020 due to biodegradable wastes being converted to fertilizers

<sup>4</sup> Increase from 2020 due to major desilting/improvement of pond



SOCIAL	RTN	TMC	HMC	CMC	DMC	JSI
communities residing near the mine site						
4. Social Development Focus Area (SDMP + Corporate Social Responsibility)						
I. Education						
Scholars supported	489	508	1,367	1,464	31	N/A
II. Health						
Number of patients/cases treated in hospital	4,380	N/A	N/A	N/A	N/A	2
Families assisted during and after calamities	1,490	40,731	973	1,566	N/A	N/A
Admitted/confined patients	809	N/A	N/A	N/A	N/A	N/A
III. COVID-19 Response						
Amount spent on medical supplies and equipment for COVID-19 response (Million PhP)	0.05	N/A	N/A	1.15	N/A	N/A
Number of hospitals assisted	1	N/A	1	1	N/A	N/A
Amount spent on relief goods (Million PhP)	2.24	16	0.55	N/A	N/A	N/A
Number of families helped	8,593	10,182	808	5,460	N/A	N/A
IV. Infrastructure						
Length of roads constructed/improved (km)	600	155	0	0	0	0.25
Amount spent on road construction (Million PhP)	0.45	0.97	0	0	N/A	0.4
Amount spent on other infrastructure projects (Million PhP)	4.7	10.8	0	0	N/A	N/A
V. Livelihood						
Peoples' Organizations that were provided financial assistance	9	12	2	18	2	N/A
Members	352	303	52	1,106	40	N/A

## Our Path to Sustainability

NAC anchors business decisions and actions on the values we share with our stakeholders. We stand on honesty, transparency, and integrity as we continue protecting our employees, the communities where we operate, our customers, and the environment throughout our drive towards growth and development.

Therefore, it is responsible as sustainable mining practices are fully integrated into our processes and standards. These practices provide the clear path forward in our sustainability journey.

At the same time, NAC has actively participated, advocated, and supported the Chamber of Mines of the Philippines (COMP) on the adoption of Toward Sustainable Mining (TSM) standards for member mining companies. The TSM aims to ensure mining companies are accountable, transparent, and credible as its

standards cover key areas such as tailings management, community outreach, safety and health, biodiversity conservation, crisis management, energy use, and greenhouse gas emissions.

NAC also fully supports the COMP's adoption of the Declaration of Commitment to Responsible Minerals Development in the Philippines, otherwise known as "The Baguio Declaration". The Company has aligned the management approach with its five (5) main principles as well as its five (5) elements of Responsible Minerals Development:

- People Orientation
- Protection and enhancement of the environment
- Respect for the rights and welfare of indigenous peoples
- Fair contribution to the National Economy
- Efficient, competitive, and compliant with international standards

**Sustainability Framework: Aligning with the UN SDGs**

NAC's Sustainability Framework further connects and aligns its Environment, Social, and Governance (ESG) initiatives with its commitment to the United Nations Sustainable Development Goals (UN SDGs). The Company chose to focus on five (5) key pillars strategically embedding the SDGs where it can contribute meaningful impact for stakeholders and help bring about positive change.

**SUSTAINABILITY FRAMEWORK**



Pillar	Rank	Material Topics	Performance
<b>Good Governance</b>	1	Leadership and Governance	<b>SDG 17</b> <ul style="list-style-type: none"> <li>• Incidents of corruption – 0</li> <li>• Incidents of Labor Code violations – 0</li> <li>• Human rights violation – 0</li> </ul>
	2	Fluctuation of Metal Prices	
	3	Human Rights Violations (Child Labor, Forced Labor)	
	4	Supply Chain management	<b>SDG 8</b> <ul style="list-style-type: none"> <li>• WMT ores sold – 17,960</li> <li>• Total taxes paid – PhP 7.32 billion</li> <li>• Percentage of spending on local suppliers – 47%</li> </ul>
	5	Corruption and Human Rights Violation	
	6	Consumer Data Protection	
<b>Welfare of Our Employees</b>	1	Employee Retention and Relations	<b>SDG 4</b> <ul style="list-style-type: none"> <li>• Total training hours for employees – 29,400</li> </ul>
	2	Local Employment	
	3	Employees Training and Skills Development	<b>SDG 5</b> <ul style="list-style-type: none"> <li>• Number of women in the workforce – 66%</li> <li>• Percentage of women returned to work after parental leave – 97%</li> <li>• Percentage of women in supervisory, managerial positions – 78%</li> </ul>
	4	Freedom of Association	
<b>Safe Workplace</b>	1	Health and Safety - Employees	<b>SDG 8</b> <ul style="list-style-type: none"> <li>• Total number of employees – 4,617<sup>5</sup></li> <li>• Employees under CBA – 1,027</li> <li>• Employees hired from local communities – 1,974</li> </ul>
	2	Maintenance and Security of Plant and Production Sites	
<b>Empowering Communities</b>	1	Health and Safety - Communities	<b>SDG 3</b> <ul style="list-style-type: none"> <li>• Total Safe Manhours – 22,050,282</li> </ul>
	2	Community Development	
	3	Risk of Conflict with Local Communities/Indigenous People	
			<b>SDG 1</b> <ul style="list-style-type: none"> <li>• Total spending on CSR + SDMP (PhP) – 529.56 million</li> <li>• Expenditure on Livelihood Programs (PhP) – 7.11 million</li> <li>• Approximate population of host &amp; neighboring communities (individuals) – 101,585</li> <li>• Number of employees indirectly employed (through contractors) – 3,429</li> </ul>
			<b>SDG 3</b> <ul style="list-style-type: none"> <li>• Expenditure on Health &amp; Safety Programs (PhP) – 18.92 million</li> <li>• Expenditure on COVID-19 Response (PhP) – 32.82 million</li> <li>• Expenditure on medical supplies and equipment (PhP) – 1.20 million</li> <li>• Expenditure on relief goods (PhP) – 18.79 million</li> <li>• Households assisted – 25,043</li> </ul>

<sup>5</sup> Includes seasonal and project-based

Pillar	Rank	Material Topics	Performance
			<ul style="list-style-type: none"> <li>Hospitals assisted – 2</li> </ul>
			<p><b>SDG 4</b></p> <ul style="list-style-type: none"> <li>Investment on education programs (PhP) – 33.62 million</li> <li>Total number of scholars – 3,846</li> </ul>
			<p><b>SDG 8</b></p> <ul style="list-style-type: none"> <li>Employees hired from local communities – 1,715</li> <li>Indigenous peoples hired – 80</li> </ul>
			<p><b>SDG 9</b></p> <ul style="list-style-type: none"> <li>Expenditure on infrastructure development (PhP) – 25.39 million</li> <li>Number of barangays supported by infrastructure projects – 31</li> </ul>
			<p><b>SDG 10</b></p> <ul style="list-style-type: none"> <li>Indigenous population supported by SDMP – 21,155</li> <li>Indigenous Peoples hired in the workforce – 80</li> <li>Number of Peoples' Organizations benefited – 43</li> <li>Number of IP members – 1,853</li> </ul>
<b>Protecting the Environment</b>	1	Water and Wastewater Management	<p><b>SDG 6</b></p> <ul style="list-style-type: none"> <li>Water extracted (cu.m) – 12,952,511</li> <li>Silt collected (WMT) – 646,499</li> <li>Water discharged (cu.m) – 11,693,786</li> </ul>
	2	Dust and Noise Pollution	
	3	Solid/Hazardous Waste Management	
	4	GHG Emissions	
	5	Biodiversity Offsets	
	6	Energy Consumption	<p><b>SDG 11</b></p> <ul style="list-style-type: none"> <li>Recyclable waste collected (tons) – 357</li> </ul> <p><b>SDG 12</b></p> <ul style="list-style-type: none"> <li>Total emissions avoided – 30,352</li> <li>Used oil treated by treatment facility (liters) – 324,216</li> <li>Hazardous waste treated by treatment facility (kg) – 438,081</li> <li>Residual waste sent to Landfills (kg) – 102,185</li> <li>Fuel Consumed (ltrs) – 32,280,190</li> <li>Electricity Consumed (MWh) – 8,433</li> </ul> <p><b>SDG 13</b></p> <ul style="list-style-type: none"> <li>Total amount spent for climate resiliency projects (PhP) – 6.65 million</li> <li>Assistance to calamity victims (PhP) – 32.10 million</li> <li>Investment on EPEP (PhP) – 379 million</li> </ul>

Pillar	Rank	Material Topics	Performance
			<p><b>SDG 14</b></p> <ul style="list-style-type: none"> <li>Budget for water protection programs (PhP) – 124 million</li> </ul> <p><b>SDG 15</b></p> <ul style="list-style-type: none"> <li>Number of seedlings planted – 5,535,992</li> <li>Land area rehabilitated (has.) – 116 has</li> <li>Land area reforested (has.) 557 has</li> </ul>

### Engaging with our Stakeholders

The year 2021 was challenging for everyone, and NAC made every effort to keep its various communication channels open and ensured our stakeholders are updated and informed of the Company’s activities and initiatives.

Aiming to always maintain transparency and accountability, the Company used a range of tools and platforms such as the corporate website, events, and official report documents to actively create venues for communication and dialogue.

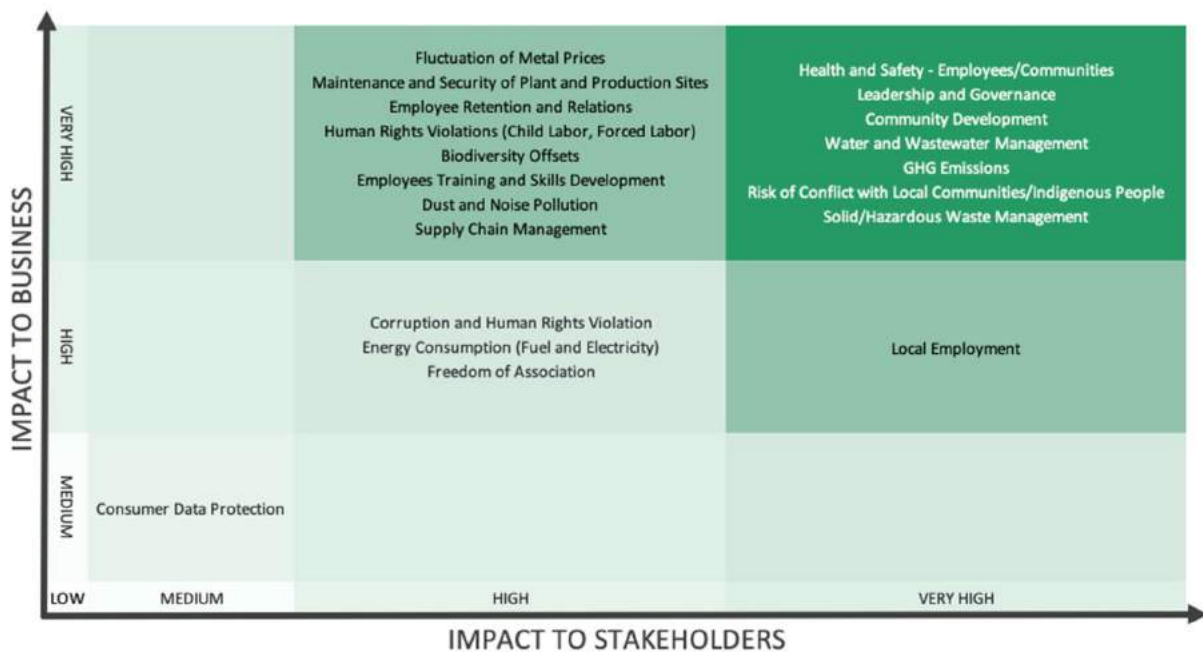
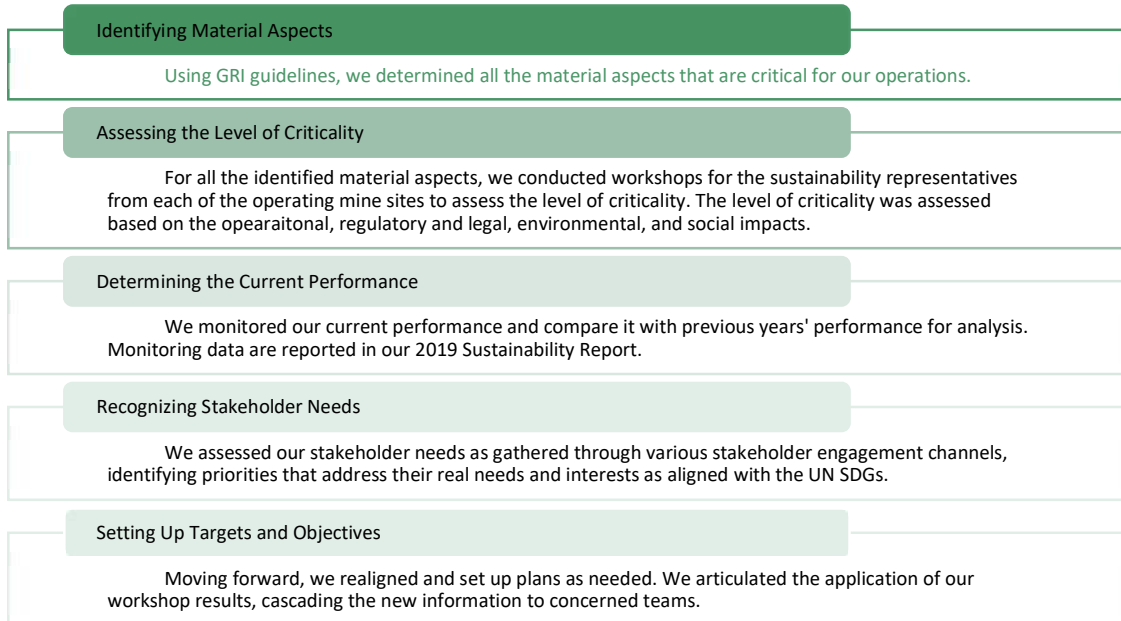
Engagement Method	Frequency	Key Concerns	Company’s Response
<b>Employees</b>			
Employee Engagement programs	As necessary	Focus on work-life balance	Service Tenure Awards
COVID-19 Response		Safe workplace during COVID-19 Pandemic	CSR/Environmental voluntary activities Work From Home Setup (Head Office) Salaries were paid even to employees who cannot work from home Flexible work arrangement was implemented Shuttle services were provided Health and Safety protocols were implemented 13th month pay was released early Medicines, PPE, and financial assistance were provided
<b>Communities</b>			
SDMP and CSR Programs	As necessary	Socio-economic development of the communities	Implementation of SDMP and CSR Programs by Community Relations Team (ComRel)
Community engagement to prioritize and implement programs		Provision of education support	Realignment of ASDMP funds to assist communities affected
COVID-19 Response		Support to communities during COVID-19	Distribution of medical supplies and PPEs to frontliners Provision of food packs to communities

Engagement Method	Frequency	Key Concerns	Company's Response
			Establishment of Molecular Tech Laboratory
			Provision of Service Truck and Ambulance
Media			
Press release	As necessary	Product brief/details	Availability of spokesperson
Interviews		Transparency	Media events
Official media statements		Factual information	Press kits
Public advisories		Timely release of announcement	Factsheets
Press conferences			Market information
Site tours			
LGUs/Regulators			
Annual/Quarterly/Monthly Reports	As necessary	Inaccurate disclosures	Timely & accurate release of reports
		Non-compliance to standards	Strict compliance to regulatory norms
Suppliers			
Accreditation Process	Once a year	Transparency in accreditation	Clear & transparent accreditation criteria
Annual meetings with security agencies		Integrity of bids	Auditable bidding process
		Timeliness of payments	
Industry Associates			
Regular industry meetings	As scheduled	Sharing of industry standards and best practices	Regular update on the industry outlook and standards
Shareholders/Investors			
Annual Stockholders' meeting	Annual	Higher financial returns	Stable dividends
General Board Meeting	Quarterly	Minimum risks related to business & expansion	Regular disclosure of financial performance
One-on-one investor meeting	On Demand		
Partners			
Corporate events/forums	As scheduled	Transparency in disclosures	Regular disclosure of overall performance
		Alignment of advocacies	

### Material Aspects of Sustainability

NAC subscribes to the principle of materiality promulgated by the GRI Standards, making the practice of sustainability reporting meaningful.

The Company, therefore, applies GRI's prescribed five-stage process to identify material aspects of sustainability and level of criticality for stakeholders. This rigorous process maintains the quality of our reporting and helps keep our programs effective and relevant.



**Our Sustainability Performance**  
**Good Governance**

NAC and its employees strive every day to ensure that actions and decisions are guided by our values, and the principles of ethics and good governance. The goal is to create positive impact on the lives of our stakeholders. The Company has institutionalized these attributes in policies and processes that

enable people to responsibly contribute, grow, and pursue their career goals, as they help the Company achieve its vision.

**ECONOMIC PERFORMANCE**

In 2021, NAC’s operations continued to contribute to the local economy of the provinces and municipalities where our mines are located, not only through the direct and indirect employment of close to 2,874 employees but also through purchases from local suppliers which accounted for about 47% of the Company’s total procurement.

Overall, NAC paid PhP 1.04 billion in excise taxes and PhP 3.06 billion in income taxes. Total taxes paid by overall operations in 2021 reached PhP 7.32 billion, including PhP 361.79 million paid to the LGUs.

These taxes are used by the government to fund essential services to citizens, including programs for communities recovering from the impact of the global pandemic as well as natural calamities that have visited the country in the past year.

In addition, NAC fully complies with the mandated SDMP as well as further efforts are made by operating companies through their corporate social responsibility (CSR) programs for host and neighboring communities.

Meanwhile, wherever Indigenous Peoples (IPs) reside in our host communities, we share 1% of revenues as royalties paid to the IPs. Total royalties paid out in 2021 amounted to PhP 184.72 million.

**SUPPLY CHAIN MANAGEMENT**

Spending on Local Suppliers (in million PhP)	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
Total spending	1,843	3,819	912	1,579	136	11	35	<b>8,335</b>
Spending on local suppliers	459	1,921	621	840	44	1	0.3	<b>3,886</b>
Percentage of spending on local suppliers	25%	50%	68%	53%	32%	7%	1%	<b>47%</b>

NAC ensures stringent monitoring for quality and service from all suppliers, whether local or foreign.

NAC’s supply chain management approach utilizes an accreditation process whose criteria includes environmental performance. An Accreditation Committee who reviews the vendor applications and evaluates each one based on track record, quality, cost, delivery lead times, as well as Safety, Environmental, and Regulatory compliance.

Local suppliers continue to be prioritized whenever possible, not only because of the advantage of paying in Philippine Peso and standard terms of payment, but also because the Company recognizes how it can help stimulate local economies.



## ANTI-CORRUPTION

For 2021, there were no recorded complaints or cases of corruption as the Company was able to consistently maintained its campaign on anti-corruption. Enabled with the Code of Business Conduct and Ethics which is clearly explained during new hire orientations and during the annual general orientation, all employees understand the Company's expectations on how they should act or make their decisions regarding their work and the business.

Every employee is also required to acknowledge the annual renewal of Certificate of Integrity and Compliance. This served as an effective reminder to be alert and to stay away from any potential risks of corruption, unethical business acts, or conflict of interest.

The Internal Audit team is working on documenting the various relevant processes as the Compliance team is scheduled to conduct a review in 2022 of the Code of Business Conduct and related policies, including Whistle Blowing Policy, Gifts Policy, Travel Policy, and those dealing with suppliers. Such regular audits and reviews aim to strengthen and improve the Company's policy framework to remain relevant and responsive to the times.

## ENSURING GOOD LABOR PRACTICES

NAC promulgates the Philippine Labor Code and conscientiously adhered to laws that cover child labor, forced labor, and the respect for human rights. And as an Equal Opportunity Employer, the Company mandates a non-discrimination policy in the workplace, especially during the hiring process.

There were no recorded incidents of Labor Code violations in 2021. And any complaint of such nature would be treated seriously and with due process, in accordance with the grievance mechanisms provided for in the Collective Bargaining Agreements.

NAC ensures open channels are available and accessible to all employees and encourages constant dialogue between employees and their superiors. They are encouraged to freely communicate their concerns. The Whistle Blowing Policy guarantees that whistleblowers need not fear retaliation. Employees can communicate through a dedicated email address, fax number and landline. Complainants may choose to file anonymously or identify himself or herself.

Any complaint for discrimination is dealt with in a confidential manner. The Chief Compliance Officer and HR Head ensure that the identity of the complainant and the details of the complaint are kept confidential and disclosed only to those who are involved in the investigation. Those involved in the investigation are also required to observe confidentiality with respect to the matter subject of the complaint and the persons involved.

## COMPLIANCE

We respect and follow all pertinent rules and requirements for responsible mining operations.

NAC continues to report its activities to the PSE and SEC, through disclosures such as Annual Reports and Sustainability Reports. In addition, the Related Party Transactions Committee of the Board has

begun to meet quarterly to monitor related party transactions across the NAC Group. Subsidiaries and affiliates submit periodic reports necessary for NAC's consolidated group reports and disclosures.

As a point of principle, NAC is resolutely environmentally compliant. We adhere to the policies and laws prescribed by the Department of Environment and Natural Resources (DENR) and its agencies; namely the Mines and Geosciences Bureau (MGB), the Environmental Management Bureau (EMB), the Biodiversity Management Bureau (BMB). Furthermore, NAC has a Risk and Assurance Group that monitors the business risks, including environmental compliance, on a regular basis. Status of environmental permits are reported monthly to the Management, and quarterly to the Board Risk Oversight Committee and to the Board. The Company has a dedicated team that constantly monitors compliance with environmental laws and regulations.

We also adhere to the policies and laws prescribed by the Department of Labor and Employment (DOLE), the Department of Health (DOH), the National Commission on Indigenous Peoples (NCIP), the Philippine Competition Commission (PCC), and the local government units (LGUs).

NAC has a Public Relations Sector and Community Relations Sector that work with the Community Relations and Operations teams to monitor and ensure compliance with relevant laws, rules and regulations relating to the impact of its business on host and neighboring communities as well as to indigenous peoples in its areas of operations. All NAC subsidiaries abide by commitments stipulated in their Environmental Compliance Certificates (ECC) and specified in their approved Work Programs.

### Welfare of Our Employees

In 2021, NAC demonstrated commitment to the welfare and well-being of our people as the Company offered a stable and reliable source of gainful employment as it focused on inclusive and sustainable growth even through challenging times brought about by a global pandemic.

Steadfast in supporting the principles of human rights, fair compensation, the practice of non-discrimination and equal employment, and development through continuous learning, NAC promotes diversity and inclusion in all its subsidiaries.

A total workforce of 2,874 was productively employed, with an industry-typical 1:4 ratio of males to females. NAC is able to provide employment opportunities to its host and neighboring communities, employing 1,795 locals in 2021, 80 of them being indigenous people.

This is made possible through the Company's Impact Sourcing practice, where local hires, who are part of the economically disadvantaged groups, are prioritized to be provide with opportunities. NAC welcomes IPs in the workforce and recognizes that their successful careers enable the Company to fulfill part of our commitment to their forefather who also welcomed the Company onto their ancestral land.

The Company places the best available person fit for the role. Recruitment decisions are based on assessment criteria that identify candidates' knowledge, technical and professional skills, potential for growth and leadership, and attitude and character that fits the Company's culture and shared values.

CMC, for its part, has a clear commitment to the host and neighboring community to open opportunities for both host community and neighboring communities. Only if the required talent is not available in Dinagat Islands does the company seek candidates from outside of the province.

### Employee Breakdown

Employment by Contract Type and Gender		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
<b>2021</b>										
Male	Regular/Probationary	493	565	142	198	28	63	6	27	1,522
	Seasonal	172	1	164	100	1	0	0	0	438
	Project-based	119	11	0	0	1	0	0	0	131
	<b>Total</b>	<b>784</b>	<b>577</b>	<b>306</b>	<b>298</b>	<b>30</b>	<b>63</b>	<b>6</b>	<b>27</b>	<b>2,091</b>
Female	Regular/Probationary	75	114	53	54	16	58	6	7	383
	Seasonal	0	0	16	14	0	0	0	0	30
	Project-based	40	6	0	0	1	1	0	0	48
	<b>Total</b>	<b>115</b>	<b>120</b>	<b>69</b>	<b>68</b>	<b>17</b>	<b>59</b>	<b>6</b>	<b>7</b>	<b>461</b>
<b>Total</b>		<b>899</b>	<b>697</b>	<b>375</b>	<b>366</b>	<b>47</b>	<b>122</b>	<b>12</b>	<b>34</b>	<b>2,552</b>

Employment by Position and Gender (Regular/Probationary)		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
<b>2021</b>										
Male	Senior Management	0	1	2	1	0	17	1	-	22
	Managers	24	45	11	13	6	10	2	1	112
	Supervisors	94	145	45	70	21	15	0	5	395
	Rank and File	375	374	84	114	1	21	3	21	993
Female	Senior Management	1	0	0	0	0	3	2	-	6
	Managers	9	13	3	5	4	12	1	1	48
	Supervisors	48	80	37	42	11	20	3	3	244
	Rank and File	17	21	13	7	1	23	0	3	85
<b>Total</b>		<b>568</b>	<b>679</b>	<b>195</b>	<b>252</b>	<b>44</b>	<b>121</b>	<b>12</b>	<b>34</b>	<b>1,905</b>

Employment by Position and Age Group (Regular/Probationary)		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
<b>2021</b>										
<b>Below 30 yrs old</b>										
Senior Management		0	0	0	0	0	0	0	0	0
Middle Management		2	11	0	2	0	1	0	0	16
Supervisors		23	60	37	47	18	17	1	1	204
Rank and File		12	18	9	7	0	20	1	7	74
<b>TOTAL</b>		<b>37</b>	<b>89</b>	<b>46</b>	<b>56</b>	<b>18</b>	<b>38</b>	<b>2</b>	<b>8</b>	<b>296</b>
<b>30 to 50 yrs old</b>										
Senior Management		0	0	1	0	0	7	1	0	9
Middle Management		19	35	11	13	6	17	3	1	105
Supervisors		92	135	34	56	11	16	2	7	353
Rank and File		299	258	68	80	2	22	2	15	746
<b>TOTAL</b>		<b>410</b>	<b>428</b>	<b>114</b>	<b>149</b>	<b>19</b>	<b>62</b>	<b>8</b>	<b>23</b>	<b>1,213</b>

Employment by Position and Age Group (Regular/Probationary)	RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
<b>Over 50 yrs old</b>									
Senior Management	1	1	1	1	0	13	2	0	19
Middle Management	10	12	3	3	3	4	0	1	36
Supervisors	21	30	11	9	1	2	0	0	74
Rank and File	73	119	20	34	1	2	0	2	251
<b>TOTAL</b>	<b>105</b>	<b>162</b>	<b>35</b>	<b>47</b>	<b>5</b>	<b>21</b>	<b>2</b>	<b>3</b>	<b>380</b>
<b>TOTAL</b>	<b>552</b>	<b>679</b>	<b>195</b>	<b>252</b>	<b>42</b>	<b>121</b>	<b>12</b>	<b>34</b>	<b>1,887</b>

Employment from Local Communities and IPs	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
Male	Regular	491	444	40	98	0	19	1,093
	Probationary	2	11	0	2	0	0	15
	Seasonal	172	8	111	94	1	0	386
	Local Communities (Total)	665	463	151	194	1	19	1,494
	Indigenous People	60	10	0	0	0	2	72
Female	Regular	76	72	9	18	3	3	182
	Probationary	0	4	0	0	0	0	4
	Seasonal	0	4	17	14	0	0	35
	Local Communities (Total)	76	80	26	32	3	3	221
	Indigenous People	5	3	0	0	0	0	8
<b>Total</b>	<b>741</b>	<b>543</b>	<b>177</b>	<b>226</b>	<b>4</b>	<b>22</b>	<b>1,715</b>	

### EMPLOYEE TRAINING AND BENEFITS

Aside from hiring policies and practices, NAC implements employee engagement programs and initiatives to ensure that people are aware that their contributions are recognized and valued. Among these programs are: Participation of Union Association in management’s objective setting, regular pep talks before and after work shifts, incentive programs, management’s full commitment to the Collective Bargaining Agreements (CBA), and continuous training opportunities (covering health and safety, quality, environmental, technical, Continuing Professional Development (CPD), leadership among others),

In 2021, NAC was able to provide a total of 29,400 training hours for its employees, helping boost their productivity, confidence, motivation, and morale. These measures enabled them to perform their roles more effectively even through difficult times.

The Company also supported the creation of the TESDA Assessment Center which aims to upgrade the skills of drivers and operators through the issuance of NC2 certifications. Scholarships are granted to employees and their dependents who want to pursue a degree in Mining Engineering.

This year, TMC, in partnership with St. Paul University Surigao (SPUS), launched a mining engineering program that is open to qualified employees whose backgrounds are not related to mining, with the inaugural batch for school year 2021-2022. The classes were held virtually and onsite– maximizing access to actual operations, the pool of experts available in the field, and quality education from SPUS.

The students mostly have mining and engineering foundations and are currently assigned as geologists, chemists, geodetic engineers, safety inspectors, data analysts, etc. As a unique feature of the program, TMC’s technical pool of engineers and geologists are being tapped as resource speakers for the students’ technical subjects such as Engineering, Surveying and Geology.

Training Hours	RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	JSI	TOTAL
<b>2021<sup>6</sup></b>								
Total Training Hours	13,755	402	9,305	5,005	829	587	104	<b>29,400</b>
Male Training Hours	10,425	204	5,997	1,797	532	278	52	<b>18,475</b>
Female Training Hours	3,330	198	3,308	3,208	297	309	52	<b>10,393</b>
Total Employees Trained	541	256	604	143	42	101	12	<b>1,598</b>
Male Employees Trained	467	186	385	87	30	45	7	<b>1,132</b>
Female Employees Trained	74	70	219	56	12	56	5	<b>492</b>
Average Training Hours by position								
Senior Management	56	11	59	21	N/A	4	-	<b>Average</b>
Middle Management	31	15	105	29	281	8	3	<b>Training</b>
Supervisors	35	13	485	30	454	7	8	<b>Hours:</b>
Rank and File	22		126	33	48	3	4	
Average Training Hours	25	2	15	35	20	6	9	<b>15.16</b>

Key Trainings	Head Office	RTN	TMC	HMC	CMC	DMC	EPI	JSI
Technical Trainings	3	169	99	0	19	0	0	3
Leadership Skills Training	44	70	125	104	71	37	0	0
Soft Skills Training	68	1,035	35	77	45	62	0	0

Employee development does not stop at the provision of training as performance evaluations are an essential factor in employee retention strategies. Through effective and timely assessments, leaders can provide commendations as well as coaching and interventions for those who need improvement

Employee performance is tracked using an established Performance Evaluation and Development Sheet with key performance indicators. Employees who delivered excellent service throughout the year are recognized during the Service Awards program and are given promotions, bonuses and/or salary increases. Seeking to also improve on the process for the benefit of its employees, NAC is developing a new performance evaluation system for 2022.

The focus on continuous people development is among the reasons for the Company’s low attrition rate, along with appreciative and competitive compensation and benefits packages. TMC, for one, provides one of the most attractive compensation and benefits packages in the Caraga region where the average package enjoyed by regular rank- and-file employees is three (3) times more than the prevailing daily minimum wage rate in the region.

NAC subsidiaries offer benefit packages beyond mere compliance, from providing transportation allowance, vitamins, PPEs, COVID-19 testing and free flu vaccines to protect the health of employees, to providing free accommodations for essential employees during the pandemic.

<sup>6</sup> Due to the pandemic, EPI cannot conduct online training; still in adjustment phase.

HMC’s benefits package is also noteworthy as it includes attractive features, such as: Rice Allowance, Medicine Allowance (cash), Group Life Insurance (Manulife), HMO (Intellicare), Mid-Year and Year-End bonus, free uniform, and free meals for Supervisors and Managers.

Another is CMC, which, amidst the pandemic and with the aftermath of the typhoon Odette onslaught, provided a one-month mid-year bonus along with a 14th month bonus and a 4 to 5 months performance bonus to its employees. Employees receive monthly production incentive during the loading season under specific conditions such as monthly attainment of targets for production and shipments, no recorded Loss Time Accidents (LTA), or meeting Grade specification dispatched are met.

Parental Leaves		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	JSI	TOTAL
Paternal Leave	Total employees who took parental leave [A]	26	11	2	5	0	0	0	44
	Number of employees who returned to work after parental leave [B]	26	7	2	5	0	0	0	40
	Return to work rate (%)	100%	64%	100%	100%	0%	0%	0%	91%
	Number of employees who are still employed one year after their return from parental leave [C]	31	9	1	4	0	0	0	45
	Retention rate (%)	84%	43%	50%	100%	0%	0%	0%	
Maternal Leave	Total employees who took parental leave [A]	5	20	1	7	0	3	0	36
	Number of employees who returned to work after parental leave [B]	4	20	1	7	0	3	0	35
	Return to work rate (%)	80%	100%	100%	100%	0%	100%	0%	97%
	Number of employees who are still employed one year after their return from parental leave [C]	5	10	0	4	0	1	0	20
	Retention rate (%)	83%	100%	0%	100%	0%	50%	0%	80%

New Hires and Employee Turnover		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
<b>2021</b>										
Male	New Hires	2	0	7	11	8	5	3	0	36
	Attritions/Turnover	19	226	13	5	9	8	1	0	281
	Attrition Rate	4%	40%	9%	3%	32%	13%	17%	0%	19%
	Ratio of lowest paid employee against minimum wage	1:1	1:1	5:3	4:3	11:9	7:5	162:5	55:2	-
	Female	New Hires	0	0	8	6	4	12	1	0
Attritions/Turnover	3	7	11	3	1	2	1	1	29	
Attrition Rate	4%	6%	21%	6%	7%	3%	17%	14%	8%	
Ratio of lowest paid employee against minimum wage	1:1	1:1	2:1	5:3	4:3	8:5	1:0	1:0	-	

Benefits	% of Male Employees who Availed for 2021								% of Female Employees who Availed for 2021							
	HEAD OFFICE	RTN	TMC	HMC	CMC	DMC	EPI	JSI	HEAD OFFICE	RTN	TMC	HMC	CMC	DMC	EPI	JSI
SSS	5%	100%	96%	16%	11%	98%	100%	100%	19%	100%	100%	6%	22%	93%	100%	100%
PhilHealth	1%	100%	86%	3%	7%	98%	100%	100%	3%	100%	88%	3%	10%	93%	100%	100%
Pag-Ibig	2%	100%	69%	22%	13%	98%	100%	100%	5%	100%	81%	6%	10%	93%	100%	100%
Vacation Leaves	73%	100%	98%	71%	100%	98%	100%	100%	84%	100%	92%	25%	100%	93%	100%	100%
Sick Leaves	57%	23%	1%	26%	100%	98%	17%	89%	68%	22%	0%	16%	100%	93%	33%	43%
Medical benefits	1%	6%	1%	3%	100%	0%	100%	100%	3%	13%	4%	3%	100%	0%	100%	100%
Housing assistance	0%	45%	N/A	N/A	N/A	0%	N/A	N/A	0%	49%	N/A	N/A	N/A	0%	N/A	N/A
Retirement benefit	0.82%	2%	N/A	N/A	2%	0%	N/A	N/A	0%	2%	N/A	N/A	0%	0%	N/A	N/A
Further education support	0%	3%	N/A	N/A	8%	0%	N/A	N/A	0%	4%	N/A	N/A	0%	0%	N/A	N/A
Company stock options	N/A	N/A	9%	N/A	N/A	0%	N/A	N/A	N/A	N/A	20%	N/A	N/A	0%	N/A	N/A
Telecommuting	37%	N/A	98%	1%	N/A	0%	N/A	N/A	68%	N/A	92%	1%	N/A	0%	N/A	N/A
Flexible-working hours	63%	5%	98%	N/A	100%	0%	100%	N/A	32%	26%	92%	N/A	100%	0%	100%	N/A
Free company quarters, with basic furnishing, free electricity, and water	3%	3%	100%	43%	0%	52%	N/A	N/A	2%	10%	100%	21%	0%	100%	N/A	14%
Birthday Leave (BL)	N/A	50%	96%	16%	100%	0%	N/A	N/A	N/A	60%	100%	11%	100%	0%	N/A	N/A
Medicine Allowance	95%	N/A	8%	72%	100%	90%	N/A	N/A	100%	N/A	11%	24%	100%	92%	N/A	N/A
Annual Physical Exam	37%	68%	98%	75%	100%	60%	100%	100%	44%	58%	92%	26%	100%	93%	100%	100%
Rice Subsidy	95%	N/A	100%	72%	98%	0%	100%	4%	97%	N/A	100%	24%	98%	0%	100%	43%
Toiletries	100%	N/A	100%	24%	42%	58%	N/A	N/A	100%	N/A	100%	19%	90%	93%	N/A	N/A
Lighting Allowance	N/A	14%	N/A	57%	0%	N/A	N/A	N/A	N/A	32%	N/A	10%	0%	N/A	N/A	N/A
Working Uniform	70%	100%	34%	74%	100%	69%	N/A	100%	70%	72%	85%	25%	100%	100%	N/A	100%
Life Insurance	100%	100%	9%	N/A	1%	58%	100%	4%	100%	100%	20%	N/A	2%	93%	100%	43%
Professional Tax Renewal (PRC)	3%	5%	0%	14%	24%	0%	N/A	N/A	85%	15%	0%	10%	43%	0%	N/A	N/A
Free Meals/Meal Allowance	95%	68%	0%	34%	42%	58%	100%	4%	95%	58%	0%	22%	90%	100%	100%	43%
Free Laundry	N/A	1%	0%	24%	42%	58%	N/A	N/A	N/A	3%	0%	19%	88%	100%	N/A	N/A

**FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

NAC guarantees employees the unconstrained availability of their Freedom of Association and Collective Bargaining. As important partners in business, unions deserve an environment of mutual trust and respect, teamwork, proactive policies, and openness in terms of information sharing, discussions, consultations, and negotiations. As standard practice, unions are included in working committees for programs and activities and are involved in formulating strategies to handle company issues.

TMC has one union, the Taganito Labor Union, which represents regular rank-and-file employees. HMC also has one union called the Hinatuan Mining Labor Union (HIMLU), which is affiliated with Kilusang Mayo Uno (KMU).

Support for maintaining good relations is institutionalized through both process and structure. For instance, TMC’s Labor Management Committee (LMC) supports the relationship-building between labor and management, just like DMC’s recently created Labor Management Cooperation Committee. Meanwhile, HMC management and HIMLU representatives hold a monthly Labor Management Conference every third Friday.

Similarly, CMC has an existing Collective Bargaining Agreement that provides a monthly Labor Management Conference every third Friday. The Company concluded five (5) Collective Bargaining Agreements without any labor dispute that reached the National Conciliation and Mediation Board (NCMB) or the National Labor Relations Commission. In addition, the union has been involved in seminars for livelihood in different government agencies and in various community and social activities.

Collective Bargaining Agreement	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
Number of employees under CBA	446	395	92	94	N/A	N/A	N/A	<b>1,027</b>
Percent of employees under CBA	41%	58%	49%	39%	N/A	N/A	N/A	-
No. of consultations conducted with employees concerning employee-related policies	1	697	367	2	N/A	N/A	N/A	<b>1,067</b>

**Creating a Safe and Healthy Workplace**

As the whole country dealt with the impact of a long-drawn and protracted global health crisis in 2021, the Company stayed committed to providing people with a safe and healthy workplace at all times.

NAC has an Occupational Safety and Health (OSH) management system, ISO 45001 certified, which guided the intensified Safety Awareness Campaigns along with the continuous implementation of Safety Programs, and provision of PPE (including COVID-19 PPE), and intensive implementation of COVID-19 protocols.

The subsidiaries also intensified the walk-around inspections and audits on all areas of operations, including contractors. In addition, engineering controls were implemented, such as the installation of barriers, handwashing facilities, and Isolation Areas. The Company made adaptations that addressed work arrangements (work-from-home or modified work schedules), travel restrictions, Daily Health Checklist, workplace disinfection, COVID-19 Vaccination Drive, mandatory Antigen Testing, information dissemination, Vitamin C distribution, provision of face mask and face shield. In most cases, the



Company practiced stringent health protocols at a level even higher than those required by the Department of Health or by the COVID-19 Inter-Agency Task Force (IATF).

Onsite, employees were supported with clinic services, First-Aid provision, Immunization/Vaccination Programs (for Flu, Pneumonia, Hepatitis and Tetanus Toxoid), Periodic Physical Examination/APE, IECs, monthly immune system supplements (Vit. C, Vit. B Complex, Vit. D), doctor consultation, monitoring of various health conditions (blood sugar, blood pressure, etc.), Rapid Antigen testing for employees, 24/7 emergency services.

Our people’s active cooperation and adherence to the minimum health protocols for COVID-19 were solicited through clear and constant communications using various channels such as pep talks, IECs, toolbox meetings, and promotion through social media. Regular and frequent decontamination of offices, equipment and common areas was also conducted, along with temperature check and health assessment upon entry at the mine site.

OSH personnel on duty monitored the site, while the Central Safety and Health Committee (CSHC) of all mine sites stepped up their drive to ensure the consistent execution of the safety programs at all times and in every situation.

The CSHC is composed of the Resident Mine Manager, at least one safety engineer, and representatives across Divisions, Groups, Departments, Sections, the union, and contractors. The CSHC implements standard processes and constantly monitors issues and employee concerns relating to health and safety. Safety Officers conduct regular inspections to ensure compliance with the Company’s safety rules and regulations.

Seeking to ensure that employees have a voice in these Health and Safety Committees, employees are proactively sought for input and suggestions.

Injuries and Accidents	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
No. of employees in health & safety committee	46	41	23	54	34	N/A	7	205
Total manhours	5,240,944	7,953,642	3,857,142	4,709,358	107,590	N/A	181,606	22,050,282
Safe manhours	5,240,944	7,953,642	3,857,142	4,709,358	107,590	N/A	181,606	22,050,282
Lost time accidents	0	0	0	0	0	N/A	0	0
Number of occupational injuries/illnesses	0	5	1	0	1	N/A	0	7
Incidence rate	0	5	2	0	1.5	N/A	0	8.5
Severity rate	0	0	0	0	0	N/A	0	0
Lost days	0	0	0	0	0	N/A	0	0
Fatalities	0	0	0	0	0	N/A	0	0
Work-related fatalities	0	0	0	0	0	N/A	0	0
No. of safety drills	9	11	9	11	6	N/A	1	47

Training Programs on Health and Safety	RTN	TMC	HMC	CMC	DMC	JSI
<b>2021</b>						
Medical Trainings	1,350	17	0	38	42	0
Road Safety Trainings	521 <sup>7</sup>	116	0	0	0	0
Fire Safety Trainings	104	0	0	36	0	2
Occupational Health and Safety Trainings	571	5,235	151	119	60	16
COVID-19 Response Trainings	15	7	0	0	0	0

### Protecting the Environment

NAC strengthened its commitment to protecting the environment through compliance with all mandated environmental programs and through new energy initiatives that will have a long-term impact.

Environmental Protection and Enhancement Programs (EPEPs) are comprehensive and strategic environmental management plans that cover management objectives, criteria, and commitments pertaining to environmental protection and rehabilitation. These are fully funded for all the operating mines. Each mine’s Annual EPEP funded key programs and initiatives address environmental concerns that includes Land Protection, Air Protection, Water Protection, and Environmental Monitoring. Hence, activities such as rehabilitation of disturbed areas, reforestation, construction and maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring, and preservation of downstream water quality are conducted.

EPEP Spending (Million PhP)	RTN	TMC	HMC	CMC	DMC	JSI	TOTAL
2021	64	153	107	47	6	2 <sup>8</sup>	379

EPEP Budget Allocation (Million PhP)	RTN	TMC	HMC	CMC	DMC	TOTAL
<b>2021</b>						
Land Protection	26	55	74	24	2	181
Air Protection	11	14	5	3	0.1	33
Water Protection	18	73	17	13	3	124
Environmental Monitoring	8	3	7	3	0.50	22
Other Initiatives	1	8	4	4	0.2	17
<b>TOTAL EPEP</b>	<b>64</b>	<b>153</b>	<b>107</b>	<b>47</b>	<b>6</b>	<b>377</b>

Aside from continuing its existing environmental programs in 2021, CMC has been ahead of the pack in the mining industry in heeding the struggle against the problems caused by *sargassum*, a brown seaweed locally known as “*samo*” that are washed ashore.

CMC’s Mine and Environment Protection and Enhancement Office (MEPEO) started experimenting with the viability of using sargassum extracts as fertilizers to be used in the mined-out areas. The experiment led to the development of CMC’s very own Sargassum Liquid Fertilizer (SLF) using the sargassum debris gathered from the shorelines around the mine site.

<sup>7</sup> Limited face-to-face trainings due to rising COVID-19 cases in RTN

<sup>8</sup> Environmental Management Plans & Programs (EMP)

SLF has now been used as organic fertilizers for seedlings at the CMC nurseries and proved to be successful in growing the crops in the rehabilitated area. Test results show that SLF is rich in nitrogen, phosphorous, and potassium – nutrients that are essential for plants to achieve maximum growth potential.

LAND PROTECTION

NAC takes pains to protect biodiversity in its areas of operation, recognizing the importance of natural habitats to various flora and fauna species, some of which are included in the IUCN Red List and national conservation list. The Company, therefore, implements consistent practices as mitigating measures, such as:

- Proper handling of cleared vegetation, including topsoil management
- Acquisition of Special Tree Cutting and Earth-balling Permit (STCEP) for earth-balling projects and strict compliance with the requirements
- Progressive rehabilitation of mined-out areas and reforestation with indigenous species to preserve the natural floral biodiversity of the affected sites

HMC’s Biodiversity Management is a major component of its AEPEP that supports the following programs: Buffer Zone establishment, reforestation inside its MPSA, accreditation of DENROs, conducting flora and fauna assessment, as well as ongoing initiatives such as establishment of mangrove plantation, coral nursery, and artificial coral reefs.

RTN also has numerous environmental programs, which include “Towards 5 Million Trees for Palawan”, “Edible Landscaping Contest v.2”, “Adopt a Tree, Make a Legacy,” Project, progressive rehabilitation using native and endemic tree species, and monthly inhouse biodiversity monitoring and observation.

CMC continued its support on biodiversity conservation through funding for conservation initiatives and the deployment of *Bantay Gubat* and *Bantay Dagat*. On the other hand, DMC’s initiatives included National Greening Program with the DENR covering an area of 12.1 hectares.

Land Protection	RTN	TMC	HMC	CMC	DMC	JSI	TOTAL
<b>2021</b>							
Total Area Disturbed (ha)	1208	939	27	198	53	50	2,475
Total Area Used for Other Purposes (ha)	955	4067	120	439	37	N/A	5,618
Total Area Rehabilitated (ha)	6	40	60	9	1	N/A	116
Total Area Reforested (ha)	0	26	64	455 <sup>9</sup>	12	N/A	557
Area of land used for extractive use (ha)	47	144 <sup>10</sup>	19	42	5	N/A	257
Area of land used for construction and development	N/A	N/A	N/A	N/A	N/A	61	61
Percentage of land requiring biodiversity management plans	78%	59%	32	5%	0%	N/A	-
Operational sites owned, leased, managed in, or adjacent to, protected area and areas of high biodiversity value outside protected areas	2	N/A	1	5	1	1	10
Habitats protected or restored (ha)	3	2	4	2	0	0	11

<sup>9</sup> Include reforestation within and outside MPSA (NGP)

<sup>10</sup> Open area for extraction only by the end of December 2021

UCN Red List species and national conservation list species with habitats in areas affected by operations

RTN	HMC
<p><b>Fauna:</b> Crested Serpent Eagle, Common Iora, Oriental Dwarf Kingfisher, Swiftlet sp., Eastern Cattle Egret, Black-crowned Night Heron, Fiery Minivet, Yellow-throated Leafbird, Rufous-tailed Tailorbird, Pink-necked Green Pigeon, Palawan Crow, Palawan Flowerpecker, Pygmy Flowerpecker, Ashy Drongo, Chestnut Munia, White-bellied Munia, Palawan Fairy-bluebird, Black-naped Monarch, Blue Paradise Flycatcher, Grey Wagtail, Mangrove Blue Flycatcher, Purple-throated Sunbird, Lovely Sunbird, Olive-backed Sunbird, Pale Spiderhunter, Palawan Tit, Ashy-headed Babbler, Falcated Wren-Babbler, Warbler sp., White-bellied Woodpecker, Red-headed Flameback, Hooded Pitta, Palawan Frogmouth, Blue-headed Racket-tail, Black-headed Bulbul, Ashy-fronted Bulbul, Palawan Bulbul, Sulphur-bellied Bulbul, Olive-winged Bulbul, Velvet-fronted Nuthatch, Spotted Wood Owl, Asian Glossy Starling, Common Hill Myna, Pin-striped Tit-Babbler, Palawan Eastern Frog, Philippine Toad, Busuanga Wart Frog, Palawan Horned Frog, Palawan Bubble-nest Frog, Culion Frog, Calamianes Frog, Palawan Rock Frog, Rock Frog, Asian Vine Snake, Blunt-headed Slug Eating Snake, Philippine Bow-fingered Gecko, Palawan Gliding Lizard, Common Mabuya, Red-tailed Racer, Tokay Gecko, Palawan Gecko, White-striped Snake, Schultze's Pit Viper, Lesser False Vampire Bat, Common Short Nosed Fruit Bat, Southern Palawan Tree Squirrel, Asian Palm Civet, Palawan Spiny Rat, Palawan Bearded Pig, Raptor sp., White-bellied Sea Eagle, Blue-eared Kingfisher, Collared Kingfisher, Wandering Whistling Duck, Tufted Duck, Grey-rumped Swiftlet, Yellow Bittern, Intermediate Egret, Great Egret, Little Egret, Pacific Reef Heron, Purple Heron, White-breasted Woodswallow, Pied Triller, Common Emerald Dove, Nicobar Pigeon, Grey Imperial Pigeon, Pied Imperial Pigeon, Zebra Dove, Slender-billed Crow, Asian Koel, Scaly-breasted Munia, Frigatebird sp., Pacific Swallow, Brown Shrike, Tern sp., Striated Grassbird, Philippine Scrubfowl, White-vented Shama, Narcissus Flycatcher, Brown-throated Sunbird, Arctic Warbler, White-breasted Waterhen, White-browed Crake, Philippine Pied Fantail, Mantanani Scops Owl</p>	<p><b>Mangrove:</b> Piyapi (<i>Avicennia marina</i>), Piyapi (<i>Avicennia officinalis</i>), Gapas-gapas (<i>Camptostemon philippinense</i>), Tabao (<i>Lumitzera littorea</i>), Lipata (<i>Excoecaria agallocha</i>), Saging-saging (<i>Aegiceras corniculatum</i>), Tinduk-tindukan (<i>Aegiceras floridum</i>), Bantigi (<i>Xylocarpus granatum</i>), Busain/Pototan (<i>Bruguiera gymnorhiza</i>), Bakhaw-lalaki (<i>Rhizophora apiculate</i>), Bakhaw-babae (<i>Rhizophora mucronate</i>), Bakhaw-bato (<i>Rhizophora stylosa</i>), Nilad (<i>Scyphiphora hydrophyllacea</i>), Pagatpat (<i>Sonneratia alba</i>), Dungon (<i>Heritiera littoralis</i>)</p> <p><b>Seagrass:</b> Tropical eelgrass (<i>Enhalus acoroides</i>), Dugong grass (<i>Thalassia hemprichii</i>), Spoon grass (<i>Halophila ovalis</i>), Ribbon grass (<i>Cymodocea rotundata</i>), Fiber-strand grass (<i>Halodule uninervis</i>), Needle grass (<i>Halodule pinifolia</i>), Syringe grass (<i>Syringodium isoetifolium</i>)</p> <p><b>Bird:</b> Braminy kite (<i>Haliastur indus</i>), White-Bellied Sea Eagle (<i>Haliaeetus leucogaster</i>), White collared kingfisher (<i>Todiramphus chloris</i>), Pygmy Swiftlet (<i>Collocalia troglodytes</i>), Glossy Swiftlet (<i>Collocalia esculenta</i>), Large-billed crow (<i>Corvus macrorhynchos</i>), Emerald Dove (<i>Chalcophaps indica</i>), Orange-bellied flowerpecker (<i>Dicaeum trigonostigma</i>), Red-keeled Flowerpecker (<i>Dicaeum australe</i>), Olive-backed sunbird (<i>Cinnyris jugularis</i>), Yellow-vented bulbul (<i>Pycnonotus goiavier</i>), Pied fantail (<i>Rhipidura javanica</i>), Asian Glossy Starling (<i>Aplonis panayensis</i>), Eurasian Tree Sparrow (<i>Passer montanus</i>)</p> <p><b>Reptile:</b> Mindanao Bow-fingered Gecko (<i>Cyrtodactylus agusanensis</i>)</p> <p><b>Anuran:</b> Giant Philippine Frog (<i>Limnonectes magnus</i>)</p> <p><b>Mammals:</b> Geoffroy's rousettes (<i>Rousettus amplexicaudatus</i>), Lesser musky fruit bat (<i>Ptenochyris minor</i>), Short-nosed fruit bat (<i>Cynopterus brachyotis</i>), Island flying fox (<i>Pteropus hypomelanus</i>)</p> <p><b>Flora Terrestrial:</b> Payospos (<i>Leptospermum amboinense</i>), Mangkono (<i>Xanthostemon verdugonianus</i>), Aagoho del Monte (<i>Gymnostoma rumphianum</i>), Pandanus tectorius, <i>Alstonia parviflora</i>, <i>Dracaena angustifolia</i>, Sparrow's mango (<i>Buchanania arborescens</i>), Banga (<i>Orania decipiens</i>), <i>Syzgium brevistylum</i>, <i>Leucosyke capitellata</i>, <i>Artocarpus multifidus</i>, <i>Axocarpus latifolius</i>, <i>Carallia brachiata</i>, <i>Cratogeomys formosum</i>, <i>Morinda citrifolia</i>, <i>Heritiera littoralis</i>, Tiga (<i>Tristaniaopsis micrantha</i>), Kakaag (<i>Commersonia batramia</i>), <i>Cycas circinalis</i>, <i>Diospyros ebenoides</i>, <i>Diospyros philippinensis</i>, <i>X. virdugonianus</i>, <i>Macaranga bicolor</i>, <i>Pterocarpus indicus</i>, <i>Tacca leontopetaloides</i>, Tropical Pitcher Plant (<i>Nepenthes allottii</i>)</p>
CMC	DMC
<p><b>Flora Trees:</b> Almaciga (<i>Agathis philippinensis</i>), Mountain Agoho (<i>Gymnostoma rumphianum</i>), Yakal-yamban (<i>Shorea falciferoides</i>), Kalingag (<i>Cinnamomum mercadoi</i>), Yakal (<i>Shorea astylosa</i>), Balete (<i>Kingiodendron alternifolium</i>), Mangkono (<i>Xanthostemon verdugonianus</i>), Tega/Mapilig (<i>Xanthostemon bracteatus</i>).</p> <p><b>Palms:</b> Kaliso (<i>Areca caliso</i>), Pandan-dagat (<i>Pandanus dinagatensis</i>).</p> <p><b>Shrubs:</b> Linatog (<i>Eurycoma longifolia</i>).</p> <p><b>Climbers:</b> Pitcher plant (<i>Nepenthes belii</i>), (<i>Nepenthes mindanaoensis</i>), Sandaoua (<i>Nepenthes truncata</i>).</p> <p><b>Herbs:</b> Lady slipper orchid (<i>Paphiopedilum ciliolare</i>), Fire orchid (<i>Renanthera matutina</i>).</p> <p><b>Fauna Birds:</b> Mindano tarctic hornbill (<i>Penelopides affinis</i>), Visayan flowerpecker (<i>Dicaeum haematostictum</i>).</p> <p><b>Reptiles:</b> Philippine sailfin lizard (<i>Hydrosaurus pustulatus</i>).</p> <p><b>Amphibians:</b> Mindanao fanged frog (<i>Limnonectes magnus</i>).</p>	<p>Monitor Lizard (1, Endangered), Philippine Eagle (1, Endangered), Philippine kingfisher (1, Vulnerable), Philippine duck (1, Vul), Philippine eagle owl (1, Vul), Ashy thrush (1, Vul), South Asia box Turtle (1, Vul)</p>
TMC	
<p>Mindanao pitcher plant (<i>Nepenthes mindanaoensis</i>), <i>Nepenthes surigaoensis</i>, Mangkono (<i>Xanthostemon verdugonianus</i>), Kalingag (<i>Cinnamomum mercadoi</i>), Yakal (<i>Shorea astylosa</i>), Dalindingan (<i>Hopea malibato</i>), Palosapis (<i>Anisoptera thurifera</i>), Mangkono (<i>Xanthostemon verdugonianus</i>), Mangkono (<i>Xanthostemon verdugonianus</i>), Philippine Sailfin Lizard (<i>Hydrosaurus pustulatus</i>), Philippine Warty Pig (<i>Sus philippensis</i>), Philippine Duck (<i>Anas luzonica</i>), Rufous-bellied Eagle (<i>Lophotriorchis keinerii</i>)</p>	

Biodiversity Programs			
RTN		CMC	
Edible Landscaping Contest	13 has	Marine Protected Area Management	80 has
Mangrove Plantation Project	42 has	Bufferzone Management Program	60 has
Bamboo Plantation Project	55 has	Terrestrial and Flora Fauna Assessment	697 has
		Research and Development Management Program	697 has
HMC		DMC	
Buffer Zone Establishment	347 has	Final Rehabilitation	1 ha
Reforestation inside MPSA	314 has	National Greening Program	12 has
Mangrove Plantation	10 has		

### ENERGY CONSUMPTION AND MANAGEMENT

Efficient use of resources combined with practical resource management plans implemented with care was the approach NAC used as it aimed to reduce overall energy consumption across the organization.

Fuel & Electricity Consumption	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
Genset (Ltrs)	224,542	106,025	213,229	476,213	108,133	N/A	2500	1,130,642
Energy Generated by Genset (MwH)	113	318	619	1,242	235	N/A	18	2,545
Vehicles - Diesel (Ltrs)	9,579,626	12,765,390	692,492	9,012,512	82,544	758	15,683	32,149,005
Vehicles - Gasoline (Ltrs)	42,190	24,829	35,329	27,930	N/A	907	0	131,185
Electricity from Local Supply (MwH)	2,162	2,733	65	N/A	5	15	909	5,888
LPG (GJ)	N/A	131.82	792	1,165	N/A	N/A	14	2,103

In 2021, TMC continued the use of the more fuel-efficient Articulated Dump Trucks (ADT) and the use of its conveyor belt system that reduces the need for trucking system in ore hauling. Mine yards were relocated to reduce haulage distance. With the conversion to LED lights across its operations, its gensets operating hours amounted to only 20% of its overall consumption.

HMC, chose to use LED-type equipment for all lighting needs of its facilities. The efficient adoption of such equipment helped reduce long-term costs and maintenance. Furthermore, HMC has adopted the use of solar technology as an alternative source of power for streetlights. HMC’s power reduction program was supported through guidelines on scheduled operations of the gensets to optimize usage with identified peak and off-peak hours to generate minimal power consumption.

DMC also used the same strategy of optimizing genset use based on the load requirement. It has three gensets available. The 125KVA genset will operate when the load or power demand is minimal, while the 569KVA is to supply and meet the power demand during day operation (peak load), all offices, accommodations, Assay lab, Sample prep, core house, Motor-pool, and warehouse.

On the other hand, CMC managed consumption by lowering shipment numbers per year and monitoring and controlling fuel utilization through carpooling services for employees' service transport.

The pandemic situation had an impact on all these conservation efforts. Due to the government workplace restrictions, temporary work scheduling was enforced, and this included night shifts as part of the adjustment during the lockdown period. Another challenge was the upkeep and comprehensive maintenance system for gensets to ensure reliability as the equipment ages. Gensets require regular and proper maintenance to be in good running condition and prevent performance and efficiency loss.

### WATER USE AND DISCHARGE

The EMS also enables the NAC to identify facilities and activities that pose a threat to groundwater. Hence, each mine site has a water management plan, supplemented by several policies and practices on water conservation. Among the processes in place are:

- Monthly and quarterly physical and chemical monitoring of Total Suspended Solids (TSS)
- Establishment of activated carbon gabions
- Regular dredging of sumps and ponds
- Planting of slopes to reduce exposed areas
- Vetiver grass planting in ponds for phytoremediation
- Using oil-water separator to prevent contamination
- Covering of ore stockpiles to minimize silted water
- Generation from stockpile areas
- In-house water sampling
- Emergency response procedures for accidental releases of contaminated water
- Construction of a drainage system that directs water/leakages to designated areas of treatment

Water use and discharge were regularly monitored, and proper mitigation measures were implemented for known risks. The landfill, for instance, is layered with high-definition polyethylene to provide impermeability and containment of contaminated water. Also, wastewater undergoes filtration through silt curtains and silt containment ponds and was then reused for dust suppression activities and product washing.

RTN also installed a rainwater harvesting facility for toilet use at its Admin Building, conducted desilting and installation of desilting pads on three (3) siltation ponds for more water attenuation and water recycling. Improvements were made to the spillway of Lower Togpon Pond, that further initiated the innovation proposals for possible water efficiency programs in 2022.

TMC conducted maintenance on settling ponds by desilting a total of 440,706 cubic meters, with new sumps constructed on active areas to initially collect silt carried by run-offs during rain. Meanwhile, HMC installed surfactant traps at its laundry facility and grease traps at its kitchen areas to intercept most greases and solids before entering a wastewater disposal system.

DMC took steps to identify improvements to water lines for implementation under its approved 2022 budget. Similar to the other subsidiaries, DMC continued to encourage employees and guests to conserve water and be conscious of water consumption. Signage and posters in strategic areas remind people to turn off the faucet when not in use.

Water Use and Protection					
2021	Extraction		Discharge		Silt Collected (WMT)
	Water Body	Volume (cu.m)	Water Body	Volume (cu.m)	
RTN	Water wells	1,148,808	Lower Kinurong Pond	1,200,119	78,371
	Rainfall/surface	11,481,734	Lower Togpon Pond	10,102,030	
TMC	Underground	211,427	Hubasan Creek	179,870	440,706
HMC	Kaskag	5,934	Banug Strait	1,977	61,284
	Base Camp	10,825	Banug Strait	270	
CMC	Settling ponds	65,029	Dinagat Sound	148,876	63,989
	Creeks	18,925	Gaas Bay	57,238	
DMC	Stream	9,829	Septic Tank	3,406	2,099
<b>Total</b>		<b>12,952,511<sup>11</sup></b>		<b>11,693,786</b>	<b>646,499</b>

## AIR PROTECTION

NAC’s operating mines conduct regular emission testing and measurement of dust emissions to ensure compliance with all air quality regulations. In addition, the Company has also acquired necessary permits for pollutant-emitting devices and provided monitoring reports to DENR agencies that assured emissions are well within the regulatory limits.

RTN consistently conducted stack emission sampling of new air pollutant sources. As a result, RTN identified fugitive dust as the primary emission from its operation. The Company used additional water trucks for road watering and acquired a road vacuum sweeper. Meanwhile, TMC deploys water lorries to designated strategic areas to address dust excesses and integrated a new contract requirement for its contractor specifying the provision of water lorries to help address dust issues.

In addition, the NAC Technical Working Group (TWG) and Economic, Social, and Governance (ESG) team required each subsidiary to record and monitor its GHG. Both the TWG and ESG team gave trainings to key personnel to monitor and focus on the topic. The identified key personnel maintained open and continuous communication with the ESG team was maintained to ensure that all their inquiries and concerns were addressed.

In support, RTN conducted baselining of certain forest areas to determine sequestration capacity and potential emissions once disturbed and used for mining activities.

And for its part, EPI conducted an in-house inventory of its GHG emissions based on the streamlined standards and is collecting historical baseline data as a reference for its ongoing assessment and gap analysis. After this analysis is completed, EPI can move forward to strategically design plans to manage Scope 2 emissions which may include the use of renewable energy sources or leasing biofuel/renewable energy-based equipment.

<sup>11</sup> Increase in extraction due to two storms that hit Palawan

Air Quality	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
Avoided emission	N/A	N/A	N/A	N/A	N/A	N/A	(30,352)	<b>(30,352)</b>
GHG (Scope 1) TCO <sub>2</sub>	26,354	37,711	8,663 <sup>12</sup>	21,051	701	71	N/A	<b>94,551</b>
GHG (Scope 2) TCO <sub>2</sub>	1,607	2,307 <sup>13</sup>	55	N/A	371	11	504	<b>4,855</b>
GHG (Scope 3) TCO <sub>2</sub>	5	19	3,372 <sup>14</sup>	N/A	1	0.16	0.41	<b>3,398</b>
Ozone-depleting substances (ODS) (kg)	N/A	0	N/A	N/A	N/A	N/A	N/A	<b>0</b>
Nitrous Oxides (NOx) (mg/Ncm)	N/A	894	N/A	<sup>[1]</sup>	<1	N/A	N/A	<b>894</b>
Sulfur Oxides (SOx) (mg/Ncm)	N/A	N/A	N/A	<sup>[1]</sup>	<7	N/A	N/A	<b>0</b>
Persistent organic pollutants (POP)	N/A	0	N/A	N/A	N/A	N/A	N/A	<b>0</b>
Volatile organic compounds (VOC)	N/A	0	N/A	N/A	N/A	N/A	N/A	<b>0</b>
Hazardous air pollutants (HAP)	N/A	0	N/A	N/A	N/A	N/A	N/A	<b>0</b>
Particulate matter (PM) (ug/Ncm)	24	42	5 <sup>15</sup>	N/A	35	N/A	N/A	<b>71</b>

**WASTE MANAGEMENT**

As a responsible corporate citizen concerned not only for the environment but also for the health and safety of its people, NAC fully supports the global campaign on reducing waste. Accordingly, the Company conscientiously implemented an effective solid waste management plan.

Furthermore, NAC supports the principle of upcycling, seeing great value in technologies that help the Company manage wastes effectively, such as DOST’s bioreactor, vermicomposting, and mulching for biodegradable wastes; the use of Materials Recovery Facility (MRF) for recyclable and reusable wastes; and the use of sanitary landfill for residual wastes.

Additional initiatives by the operating mines include TMC’s purchase of a shredder machine to fragmentize residual and plastic waste, which are then transformed into eco-bricks. TMC also processes biodegradable waste in the biofertilizer maker machine to eventually mix with ameliorated soil.

HMC has also intensified the production of bio-organic fertilizers from biodegradable kitchen wastes and the practice of vermicomposting. In addition, it initiated the establishment of Biogas Digester Facility to accommodate all kitchen wastes, especially food wastes. Also, the Company continued using Jobo Pots in the nursery operations. For such efforts, HMC saw a reduction in solid waste generation of about 28% for 2021 compared to the previous year.

Waste Management	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
<b>2021</b>								
Biodegradable Waste (kg) <sup>16</sup>	52,480 <sup>17</sup>	10,621 <sup>18</sup>	16,499	35,687	521	50	12,700	<b>128,588</b>
Hazardous Waste (kg)	90,551	187,178 <sup>19</sup>	66,584 <sup>20</sup>	92,387 <sup>21</sup>	1,075	153	153	<b>438,081</b>

<sup>12</sup> Increase due to fuel consumption

<sup>13</sup> Increase due to change in formula used following the GHG Protocol formula

<sup>14</sup> Increase due to air travel data

<sup>15</sup> Sampling was conducted during rainy season

<sup>[1]</sup> Results not yet released by 3rd party laboratory

<sup>16</sup> Disposal via composting, third-party service provider, sanitary landfill

<sup>17</sup> Drop due to less trimming (trees/branches) activity

<sup>18</sup> Drop due to biodegradable wastes being converted into fertilizers

<sup>19</sup> Increase in generated hazardous waste specially the used oil during the peak season and additional contractor (ETER)

<sup>20</sup> Increased due to number of vessels shipped out and the inclusion of used oil generated from the LCTs

<sup>21</sup> Increase due to handling of waste following COVID-19 protocol



Waste Management	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
Recyclable Waste (kg) <sup>22</sup>	193,750	3,260	867	6,196	2,203	23	118,000	324,299
Residual Waste (kg) <sup>23</sup>	56,980	2,312 <sup>24</sup>	15,489 <sup>25</sup>	15,466	1,588	50	10,300	102,185
Solid Waste (kg)	303,210	16,192	32,855	57,348	4,311	23.4	141,000	554,939
Used Oil (Ltrs) <sup>26</sup>	65,140	144,102	46,400	67,698	816	20	40	324,216

The Company treats the management of hazardous wastes with great care, guided by the provisions of RA 6969 on hazardous waste management. In 2021, operations produced around 438,081 kg of hazardous wastes and 324,216 liters of used oil. In addition, all vendors utilized for treatment and transport are DENR- accredited. Furthermore, employees receive regular in-house training related to hazardous waste management. As a result, they are kept aware and alert of the dangers of hazardous waste to health and safety.

When the pandemic restrictions imposed additional requirements on the hauling and treatment of wastes, the Company worked to adapt to limitations on movement and maintain the standards needed. For instance, CMC expanded its hazardous waste facility due to preventive quarantine processes whose generated waste had to be treated as hazardous, increasing the amount of hazardous waste to be processed. Meanwhile, TMC transferred its hazardous waste facility to a more accessible area to address minor delays in hauling due to inaccessibility. HMC launched a Sanitary Landfill Facility (SLF) application, which appropriate agencies are currently processing.

#### CLIMATE-RELATED RISKS AND OPPORTUNITIES

NAC advocates for responsible mining as we recognize how we are all connected. We appreciate that our synergetic relationship with our communities and our environment impacts both short- and long-term.

With the governance and leadership of the Board of Directors and the management team, our Enterprise Risk Management (ERM) system helps us establish proper measures for the identification, assessment, and management of risks that may affect the Company.

The risk management strategy addresses climate-related risks and identifies action plans, persons responsible, and expected timelines to maintain the Company’s operations or reduce the duration of operation disruptions. The risks were identified based on how they would impact our people’s safety, the supply chain, the reliable energy supply, and the unhampered logistics in and out of mine sites.

Integral to the ERM is preparing both people and facilities for emergencies, the training of emergency responders, the provision of equipment and technology, and the redundancies for physical systems.

NAC works with the rest of the industry players, its host communities and nearby communities, and government agencies and regulators, toward building resilient and sustainable communities. In addition, the Company is proactively working to protect shared natural resources that would benefit future generations.

<sup>22</sup> Reuse paper/others thrown; donation to LGUs/scrap haulers

<sup>23</sup> Disposal via third-party service provider; sanitary landfill

<sup>24</sup> Decrease due to some of residual wastes being converted into eco-bricks and biowaste fertilizer

<sup>25</sup> Decrease due to initiative to limit use of single used plastics

<sup>26</sup> Recycled by TSD Facility

### Moving Communities towards Growth and Progress

NAC’s relationships with its host and neighboring communities have been built over the years of working together towards the same goals. The Company’s Social Development Management Program (SDMP) and its Corporate Social Responsibility (CSR) initiatives have been impactful, meaningful, and relevant. NAC designed its SDMP and CSR programs to address the genuine needs of the communities, which became most important as families struggled through the unprecedented crisis that continued throughout 2021.

SDMP & CSR Spending (Million PhP)								
	ELEMENT	RTN	TMC	HMC	CMC	DMC	JSI	TOTAL
<b>2021</b>								
SDMP	Required Spending	46.9	89.4	21.1	50.9	12.3	N/A	<b>220.6</b>
	Actual Spending	44.0	77.2	21.9	44.3	6.8	N/A	<b>194.2</b>
CSR	Non-IP Communities	35.2	4.7	24.4	7.9	0.2	6.2	<b>78.6</b>
	IP Communities	11.6	0.5	N/A	N/A	1.5	22.5	<b>36.1</b>

#### A. Community Relations

With the lockdowns and restrictions on movements brought about by the pandemic, local government units (LGUs) requested that programs focus first on mitigating the COVID-19 impact on communities. As a result, the Company temporarily placed many programs on hold, especially those requiring face-to-face interactions and community gatherings.

The Company realigned initiatives toward purchasing food items for distribution to respective barangay stakeholders as support. The IEC programs became a platform for MHO to discuss new implementing rules of the Province and the Municipality relative to COVID Protocols. The environmental IEC provided a refresher on solid waste management best practices that households can adopt as families stay at home.

DMC conducted an information campaign on the health benefits of vaccination and blood donation and the importance of continuing to take care of the environment, with a focus on solid waste management. These were done in partnership with MHO and DMC Health and Environment Teams.

INDICATOR	RTN	TMC	HMC	CMC
Project/ Program name	COVID 19 Assistance for Local Government Units	Prevention of Emerging and Re-emerging Infectious Diseases; and Establishment of a Municipal Quarantine Facility	Access to Health and Services, Health Facilities and Professionals	
Description of program	<ul style="list-style-type: none"> <li>Financial Assistance to provincial and Municipal Government as well as BLGUs in Bataraza.</li> <li>Food packs provided to target beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of COVID-19 vaccines</li> <li>Support the activities of the municipal quarantine facility</li> </ul>	Purchase of COVID-19 vaccines	<ul style="list-style-type: none"> <li>Procurement of Vaccine for Municipality of Cagdianao and Libjo</li> <li>Turnover SWAB test kits to Provincial Health Office</li> <li>Turnover Antigen Test Kit and Medical Supplies to Albor District Hospital</li> </ul>
Expenditure	PhP 2,285,840	PhP 16,050,400	PhP 3,327,882	PhP 11,153,863

INDICATOR	RTN	TMC	HMC	CMC
Number of beneficiaries	8,593	40,731	1,500 individuals	
Impact/ Expected impact	<ul style="list-style-type: none"> <li>Minimized spread of COVID-19</li> <li>Aims to provide basic needs of beneficiaries during lockdown/travel restrictions</li> </ul>	Prevention and control of the spread of COVID-19	Increase number of vaccinated people	

**B. Promoting Health and Wellness**

INDICATOR	RTN	TMC	HMC	CMC
Project/ Program name	Hospital Subsidy	Access to Health and Services, Health Facilities and Professionals	Access to Health and Services, Health Facilities and Professionals	
Description of program	SDMP Impact and Non-impact Barangays shared 10% of SDMP fund to LGU - Bataraza District Hospital for free hospitalization of Bataraza IP and indigents residents.	Subsidy to Barangay Health Centers manpower; and, Clean & Green Program-Food Always in the Home (FAITH) Gardening	Semestral provision of medicines to community health centers	<ul style="list-style-type: none"> <li>Provision of health center facilities and equipment <sup>[1]</sup></li> <li>Assistance to health-related concerns or emergencies and Blood Letting Activity with RHU and Red Cross</li> <li>Provision of essential medicines, dental and "buntis" kits and COVID-related PPEs <sup>[1]</sup></li> <li>Provision of health supplies to Senior Citizens &amp; PWD <sup>[1]</sup></li> <li>Procurement of COVID Vaccines <sup>[1]</sup></li> <li>Assistance to the repair and improvement of barangay health stations <sup>[2]</sup></li> <li>Provision of materials for the installation of sanitary toilets <sup>[1]</sup></li> </ul>
Expenditure	PhP 4,092,870	PhP 4,897,518	PhP 546,888	PhP 9,379,383
Number of beneficiaries	2 Hospitals <sup>27</sup>	40,731	650 individuals	1,566
Impact/ Expected impact	Increase access to health care services and free hospitalization.	<ul style="list-style-type: none"> <li>Improved health services</li> <li>Zero-waste management</li> </ul>	Decrease morbidity and mortality rate and improve access to health services	

As an advocate of health and wellness for our communities, NAC provides fully equipped medical facilities in each of our operating mines. And while pandemic restrictions have temporarily stalled our usual medical missions for other nearby communities, those plans will be resumed once the situation eases and such activities are once more allowed.

In the meantime, the Company looked for ways to contribute to and promote healthy habits for the benefit of the people. For instance, TMC provided handwashing facilities to 29 schools within Claver, Gigaquit, and Surigao City as part of its SDMP. As a result, 52 handwashing units were distributed to public elementary and high schools to support efforts to encourage frequent handwashing as a way to protect oneself from the COVID-19 virus.

<sup>27</sup> Rio Tuba Nickel Foundation Inc. Hospital and Bataraza District Hospital.

<sup>[1]</sup> Host and neighboring communities

<sup>[2]</sup> Boa, Bayanihan, Valencia

Aside from donating to schools, TMC also gave out handwashing facilities to the local government units of the Municipality of Bacuag, Barangays Binacoran, and Villa Riza in the Municipality of Malimono and the Philippine Red Cross - Surigao del Norte Chapter.

C. Strengthening Livelihood Programs

INDICATOR	RTN	TMC	HMC	CMC	DMC
Project/ Program name	Corn Production	Enterprise Development and Networking	Enterprise Development and Networking		Selling of Fertilizer of Ubbog Sur Farmers (Brgy. Bucal Sur)
Description of program	The project aims to support and strengthen the livelihood project of the farmers, encourage farmers to adopt new technology from backyard to subsistence farming. Increase production of quality corn for human consumption and to increase farmers' income. This project is to support the "Livestock Production" under Sapa Farmers' Producers Cooperative.	Enterprise development of Peoples' Organizations like GAMAWA, SIFAS, DAPJA, CREMACO, TACPECCO, TAWETA, CGUS, HAMVA, CAFSPIA, KABAMAS, URCAP and UCPC	Provision of support for bamboo production project (seedling and	<ul style="list-style-type: none"> <li>Capacity and capability enhancement trainings and seminar for livelihood project beneficiaries<sup>[1]</sup></li> <li>Procurement of hand tillers and other farming tools and implements (Valencia, Boa, Legaspi and Bayanihan)</li> <li>Assistance to Regular- Seasonal Workers Association</li> <li>Bangus Production Project</li> <li>Additional assistance for the Poultry project (layer chicken)- Brgy. Legaspi</li> <li>Additional assistance to the fishermen and GADIFCO - Brgy. Legaspi</li> <li>Improvement of Cabiton-an Rice Mill</li> <li>Establishment of Multi-species hatchery, Phase 1</li> <li>Livelihood Manual of Operation</li> </ul>	Provision of capital to Ubbog Sur Farmers to purchase fertilizer
Expenditure	PhP 150,000	PhP 3,269,542	PhP 355,562	PhP 3,277,469	PhP 60,013
Number of beneficiaries	102 farmer beneficiaries	303	25 organization members	1,106	113 Farmers
Impact/ Expected impact	Adoption of new technology on Corn Production, increase quality corn production, additional income for farmers and improve their quality of living.	Create an avenue for the communities to enhance and develop their skills and livelihood opportunities that will impact their lives when the mines cease to operate.	Increase income generation and awareness on environmental protection and conservation		To provide sustainable livelihood to the association and additional source of income to the members.

Key to NAC's SDMP design is the principles of skills training and start-up resources for meaningful impact. This was even more important in 2021 as communities worked to recover from the adverse effects of the pandemic.

Among the many activities the Company initiated were the following:

HMC's supported the Talavera United Women's Association (TUWA) through the provision of delivery service motorcycle and pump boat. TUWA owns and manages Island's Pure Water Refilling Station in Barangay Talavera in which the vehicles will be used to transport and distribute products to its customers in Brgy. Talavera and in nearby island communities.

With the addition of the delivery service motorcycle, TUWA can deliver its products to customers far from their business location. The pump boat allowed to cater to clients from neighboring island communities, enabling them to serve more customers, even those in neighboring islands. Customers can simply text, chat or call when they need water, making it more convenient for them who are mostly housewives tending to their homes.

RTN turned over around 1,000 calamansi seedlings to the indigenous people (IP) community of Sitio Cabuan, Barangay Ocayan in Bataraza, Palawan as the Company aimed to support the revival of backyard gardening and to attain food sufficiency during the pandemic for the IP community.

Around 200 households in Ocayan benefitted and each one received five seedlings to maintain and cultivate as their livelihood's source. The community shifted to calamansi farming after they encountered a problem with the water sources for their previous vegetable plantation. With calamansi, the community can enjoy the benefits within a short period of time as the crop grows quicker. With proper cultivation, the community can harvest the fruits after a few months' time.

RTN also extended support to the farming venture of the Indigenous Cultural Community (ICC) of Sitio Pinuwasan, Barangay Sumbiling in Bataraza through the provision of some Jackfruit and Calamansi seedlings as sources of additional income for the farmers. The farming venture is expected to be a sustainable livelihood project for the members of Palaw'an and the potential income from agricultural products will be beneficial in their area.

TMC has been supporting the members of the Gagmayn'g Mananagat sa Wangke (GAMAWA), a group of fishermen from Barangay Wangke, Claver, Surigao del Norte. Following two rounds of releasing of 30,000 bangus fingerlings funded by TMC, 20,000 fingerlings were released in its third time. These fingerlings were funded by the group's own earnings.

Early 2021, the fish pens and cottages were renovated to strengthen its foundations and to comply with recommendations of the Bureau of Fisheries and Aquatic Resources (BFAR). Seeking to add value to their product and explore potential markets, GAMAWA members also underwent a training on deboning and bottling where they initially produced marinated boneless bangus, bottled bangus in olive oil, and bottled bangus in tomato sauce.

Alongside their fish production, GAMAWA has become a tourist destination within the municipality where visitors stop by to rest in their cottages while enjoying a view of the fish pens, the sea and of neighboring islands.

D. Educational Support

INDICATOR	RTN	TMC	HMC	CMC	DMC	JSI
Project/ Program name	Scholarship Program	Access to Education and Educational Support Program			Financial assistance to Community College Scholars (6 Barangays)	EPI/JSI Support for Modular Learning at Local Community Educational Institutions During COVID-19 Pandemic
Description of program	<ul style="list-style-type: none"> <li>Scholarship for high school and college</li> <li>Allowances</li> </ul>	<ul style="list-style-type: none"> <li>College Financial Assistance under the DHNC component</li> <li>Full Academic Scholars under the DMTG component</li> <li>Support to school activities and other initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Provision of printing materials for modules (bond papers and toner ink)</li> </ul>	<ul style="list-style-type: none"> <li>Assistance to college scholars (host and neighboring communities) through procurement of learning/school materials, computer units and other related equipment and facilities.</li> <li>Subsidy to volunteer teachers and daycare workers</li> <li>Assistance to Alternative Learning System</li> </ul>	<ul style="list-style-type: none"> <li>Provision of tuition fee</li> <li>Reimbursement and monthly allowance to college students</li> </ul>	Donation of bond papers to local schools
Expenditure	PhP 5,554,118	PhP 23,117,925	PhP 499,866	PhP 4,164,568	PhP 250,614	PhP 34,112
Number of beneficiaries	489	508	1,346	1,464	29	10 <sup>28</sup>
Impact/ Expected impact	Increase and improve literacy and participatory rate. Increase access to social mobility and increase access to job opportunities.	To produce graduates that will be part of the country's workforce.	Increase literacy rate and decrease number of out of school youth		To advance the educational literacy of Dinapigue and improve the quality of life of the beneficiaries and their families through the educational support program.	Reduces the burden of school faculty in terms of limited resources for printing of modules during the pandemic and aids in providing uninterrupted quality education to the local youth

Support for students and the education sector was even more crucial in 2021, as most schools followed an online approach blended with other learning modes such as radio, television, online platforms, and modules.

TMC, through its Community Relations Department, initiated a laptop subsidy program for their full scholars who didn't have laptops and who wished to avail of tools for their studies. A total of 15 scholars

<sup>28</sup> Schools

availed of the program wherein each received a laptop with up-to-date specs such as Intel Core i5 10th Generation Processor, Intel Iris Plus Graphics, 4GB memory, 14" HD display, 512G B SSD Storage, and Windows 10 Operating System. The program helped the scholars meet the demands of the new normal education system that was mostly delivered through online classes.

RTN supported learners from far-flung areas coping with the blended learning period by providing Radio-Based Instructions (RBI) facility to two elementary schools in Bataraza, Palawan. The RBI worth over PhP 97,000 was donated to Barangkas Elementary School (BES) and Igang-Igang Elementary School (IES). RTN also partnered with the LGU of Barangay Rio Tuba to purchase more supplies to cover blended learning needs in five schools, augmenting their needs for module production.

HMC also continuously supported education initiatives and reached out to its partners in education to empower them to improve their best distance learning practices. The Department of Education (DepEd) Siargao Division was one of these education partners and it received a Risograph machine, paper supplies, and health essentials such as alcohol in support of its Learning Continuity Plan dubbed "*Padajon an Edukasyon*" (Education Will Continue). HMC also provided support to DepEd Surigao del Norte Division and DepEd Malimono, contributing items such as thermal scanners, alcohol, washable facemasks, Vitamin C, chlorine powder, risograph machine for module printing, and paper supplies.

TMC allocated PhP 2 million for the purchase of over 7,000 workbooks in English and Mathematics, in time for the opening of classes for the students of Surigao del Norte. Part of its SDMP, the initiative supported the Provincial Government's Education Caravan School Year 2020-2021, the annual Education Caravan wherein various educational supplies such as books, bags, and health kits were distributed to students in Surigao del Norte as well as Siargao island.

Aside from the supporting online programs, RTN, together with CBNC, demonstrated commitment to the mining communities and is building a state-of-the-art training center located in the mining community of Rio Tuba in Bataraza. The center will have audio-visual rooms and dedicated areas for various workshops, and will be equipped with conveyor belts, overhead cranes, vertical structure platforms, electrical simulators for trainings. It will host classes for skills education and job-preparatory training based on the courses offered by Technical Education and Skills Development Authority (TESDA) offers. Bataraza aims to partner with TESDA for the job-preparatory skills training and for the NC-II National Certificates that will be given to the graduates.

The new facility is one of the major projects of RTNMC and CBNC and will be officially launched this 2021 under its Social Development and Management Program (SDMP). It will serve as a center for manpower pooling that will regularly train residents to be highly qualified for local, domestic, and overseas employment.

### E. Disaster Resilience in Vulnerable Communities

INDICATOR	RTN	TMC	HMC	CMC	DMC
Project/ Program name	Hazard and Flood-prone Mapping for SDMP Areas	Community Coastal Protection	Others		Gabion Wall Project (Brgy. Dimaluade)
Description of program	Under the DMTG Program, hazards and flood-prone areas will be identified to	Site Bouldering (Phase 2)	Formulation of barangay DRRM plan and provision of DRRM equipment		Construction of the Gabion Wall Project which will serve as the flood control

INDICATOR	RTN	TMC	HMC	CMC	DMC
	protect SDMP infrastructure and livelihood projects. Trainings for climate resilient crops will also be provided as part of the program.				interceptor during heavy rains.
Expenditure		PhP 1,994,412	PhP 821,822		PhP 3,505,337
Number of beneficiaries	12 <sup>29</sup>	996	808 <sup>[2]</sup>		91 <sup>[2]</sup>
Impact/Expected impact	Replicable sustainable livelihood and agricultural programs and infrastructure projects.	Protection of households of the barangay from possible storm surge and other weather disturbances	Increase resilience of residents in the community		To prevent flooding in the households and agricultural lands during the rainy days through the construction of a gabion wall.

NAC is committed to supporting host and neighboring communities in their drive to better protect their members and recover from disasters.

DMC distributed relief assistance to the six barangays of Dinapigue that were affected by a series of typhoons. The Company realigned a total of PhP 1.3 million from its Annual SDMP to provide relief assistance to the communities. And despite the difficult road conditions brought about by typhoons, the company was able to distribute assorted grocery items to a total of 1,587 beneficiaries in Barangays Dimaluade, Bucal Norte, Bucal Sur, Ayod, Digumased, and Dibulo.

In addition, the employees of DMC also participated in a Personal Social Responsibility project (PSR) along with other business units of Nickel Asia to donate food and toys to other affected communities in the province of Isabela from their personal funds.

RTN was among the first to respond to the fire that razed through the coastal community of Sitio Marabahay in Barangay Rio Tuba, Bataraza and which saw 44 families evacuated. RTN sent its fire truck and safety personnel to the site. The Company was also quick to distribute relief goods

RTN has also supported the installation of a Level-2 Water System that will benefit some 24 indigenous peoples (IP) households in Sitio Tagkawayan, Barangay Sumbiling in Bataraza town. With this project, the families will no longer have to solely depend on communal deep wells for their water supply needs. RTN funded and supplied the construction materials needed to complete the project which is seen to strengthen the community’s resistance against malnutrition and health issues.

RTN has also installed a complete solar panel set with accessories worth PhP 300,000 in Barangay Culandanum, Bataraza in support of the Barangay’s drive to have power connection to deliver basic goods and services to people. The installation of the solar panel will help speed up the daily operation and demands in services of the barangay to the community.

<sup>29</sup> Barangays  
<sup>[2]</sup> Households




## CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte; Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte and Dinapigue Mining Corporation (DMC) located at Dinapigue, Isabela.

As of December 31,2021, the Company's Total Mineral Reserves in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Mineral Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	104,259	69,165	1.44	14.35	996
Limonite	Proved and Probable	167,124	112,174	1.04	43.06	1,169

The undersigned is issuing this certification in his capacity as PMRC Competent Person accredited by the Philippine Society of Mining Engineers for mineral reserves declared by the Company for its properties. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, his certification may be subjected to review or scrutiny by other independent Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.



**ARNILO C. MILAOR**  
Mining Engineer, License No. 1906  
PMRC Competent Person for Nickel  
CP Registration No.: EM-ACP-0001906-067  
PTR No. 0962261  
Issued: March 09,2022, Dinagat Islands

## CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte; Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte and Dinapigue Mining Corporation (DMC) located at Dinapigue, Isabela.

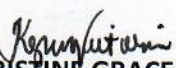
As of December 31,2021, the Company's Total Mineral Resources in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

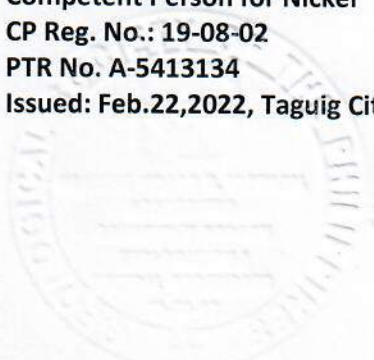
Mineral Resources	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Measured and Indicated	153,130	101,402	1.47	13.61	1,493
Limonite	Measured and Indicated	228,903	152,823	1.03	43.00	1,579
Saprolite	Inferred	34,928	22,917	1.39	14.16	319
Limonite	Inferred	8,512	5,650	1.07	37.29	61

**Note:**

1. The 'Contained Ni (kT)' is derived from the multiplication of the average Ni% and estimated tonnage (DMT) of the resource. It does not consider mining losses and dilution. Discrepancies may appear due to rounding off of figures in the table.
2. The Ni% and Fe% cut-off grades used in this estimation vary per property.

The undersigned is issuing this certification in her capacity as Competent Person accredited by the PMRC and as an active member of the Geological Society of the Philippines for the resource declared by the company for its properties. She is fully aware that, being under the employment of Nickel Asia Corporation, her certification may be subjected to review or scrutiny by other independent Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

  
KRISTINE GRACE C. VICTORIA  
Geologist, PRC No. 1721  
Competent Person for Nickel  
CP Reg. No.: 19-08-02  
PTR No. A-5413134  
Issued: Feb.22,2022, Taguig City



**Zimbra****elvie.briones@nickelasia.com****Fwd: Your BIR AFS eSubmission uploads were received**

**From :** Iryan Padillo <iryanjean.padillo@nickelasia.com> Wed, Apr 13, 2022 11:23 AM  
**Subject :** Fwd: Your BIR AFS eSubmission uploads were received  
**To :** NAC Elvie Briones <elvie.briones@nickelasia.com>

Thanks and regards

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**IRYAN JEAN U. PADILLO**

Assistant Vice President - Finance

**NICKEL ASIA CORPORATION**

28th Floor NAC Tower, 32nd Street  
Bonifacio Global City, Taguig  
Office: +632-7987622 local 7106  
Email: iryanjean.padillo@nickelasia.com

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**From:** eafs@bir.gov.ph  
**To:** CORPSEC@NICKELASIA.COM  
**Cc:** "iryanjean padillo" <IRYANJEAN.PADILLO@NICKELASIA.COM>  
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Submission Date/Time: **Apr 13, 2022 11:06 AM**  
Company TIN: **007-085-191**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

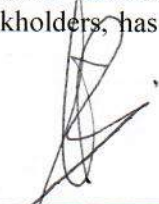
The management of **Nickel Asia Corporation** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein,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

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

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

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

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



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**GERARD H. BRIMO**  
Chairman of the Board



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**MARTIN ANTONIO G. ZAMORA**  
President and Chief Executive Officer



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**MARIA ANGELA G. VILLAMOR**  
Chief Financial Officer

Signed this 10th day of March 2022.


MAR 30 2022

TAGUIG CITY

**SUBSCRIBED** and **SWORN** to before me, this \_\_\_\_\_ in \_\_\_\_\_, affiants who exhibited to me their competent evidence of identity specified below:

Name	Competent Evidence of Identity	Date and Place Issued
Nickel Asia Corporation By:	TIN No. 007-085-191	
Gerard H. Brimo	Passport ID No. P7274048B	7/27/2021; DFA NCR East
Martin Antonio G. Zamora	Passport ID No. P5236537B	6/18/2020; DFA NCR East
Maria Angela G. Villamor	Driver's License No. N04-00-468034	11/2/2017; LTO N6

Doc. No.: 370  
Page No.: 75  
Book No.: 2  
Series of 2022.

  
KATHRYN ROSALIE B. FADERON-DIONISIO  
Appointment No. 54 (2020-2021)  
Notary Public for and in the City of Taguig  
Until December 31, 2021  
Roll No. 42738  
PTR No. A-5195018 dated 26 April 2021 / Taguig City  
IBP No. 05593 (Lifetime) / O.R. No. 669506 / 09 January 2006  
MCLE Compliance No. VI-0018369, until 14 April 2022  
28F NAC Tower, 32nd Street, BGC, Taguig City

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Parent Company Financial Statements**

#### **Opinion**

We have audited the parent company financial statements of Nickel Asia Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### **Basis for Opinion**

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

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.





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

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

### **Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the parent company 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

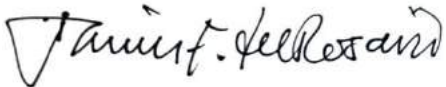
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Nickel Asia Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

Tax Identification No. 102-096-009

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 56915-SEC (Group A),

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-072-2020, November 27, 2020, valid until November 27, 2023

PTR No. 8853485, January 3, 2022, Makati City

March 10, 2022



**NICKEL ASIA CORPORATION**  
**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱1,809,595,261	₱3,668,034,086
Trade and other receivables (Note 5)	6,707,329,622	2,742,007,966
Inventories (Note 6)	19,263,604	20,242,563
Financial assets at (Note 7):		
Fair value through profit or loss (FVTPL)	5,266,080,054	2,846,821,646
Fair value through other comprehensive income (FVOCI)	1,122,283,516	2,548,759,826
Amortized cost	–	100,000,000
Prepayments and other current assets (Note 8)	80,019,421	74,749,153
<b>Total Current Assets</b>	<b>15,004,571,478</b>	<b>12,000,615,240</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 10)	14,213,750,944	13,467,589,666
Loan and notes receivable - net of current portion (Note 29)	1,100,011,980	1,741,835,061
Property and equipment (Note 9)	666,958,989	743,298,322
Financial assets at - net of current portion (Note 7):		
Amortized cost	110,000,000	110,000,000
FVTPL	104,030,000	305,020,000
Deferred income tax assets - net (Note 26)	23,522,976	165,363,972
Other noncurrent assets (Note 11)	1,851,785,437	1,812,349,566
<b>Total Noncurrent Assets</b>	<b>18,070,060,326</b>	<b>18,345,456,587</b>
<b>TOTAL ASSETS</b>	<b>₱33,074,631,804</b>	<b>₱30,346,071,827</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	₱67,378,703	₱63,527,593
Income tax payable	23,332,285	86,749,063
Current portion of lease liability (Note 24)	17,219,178	14,916,976
<b>Total Current Liabilities</b>	<b>107,930,166</b>	<b>165,193,632</b>
<b>Noncurrent Liabilities</b>		
Pension liability (Note 25)	27,529,090	44,206,249
Lease liability - net of current portion (Note 24)	2,296,311	19,519,392
<b>Total Noncurrent Liabilities</b>	<b>29,825,401</b>	<b>63,725,641</b>
<b>Total Liabilities</b>	<b>137,755,567</b>	<b>228,919,273</b>
<b>Equity</b>		
Capital stock (Note 13)	6,849,836,057	6,849,836,057
Additional paid-in capital	8,300,001,691	8,300,001,691
Cost of share-based payment plan (Note 14)	473,442,566	441,589,208
Net valuation gains on financial assets at FVOCI (Note 7)	3,362,309	57,770,766
Retained earnings:		
Unappropriated	17,309,248,172	14,466,969,390
Appropriated (Note 13)	135,000,000	135,000,000
Treasury stock (Note 13)	(134,014,558)	(134,014,558)
<b>Total Equity</b>	<b>32,936,876,237</b>	<b>30,117,152,554</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱33,074,631,804</b>	<b>₱30,346,071,827</b>

See accompanying Notes to Parent Company Financial Statements.



**NICKEL ASIA CORPORATION**  
**PARENT COMPANY STATEMENTS OF INCOME**

	<b>Years Ended December 31</b>	
	2021	2020
<b>REVENUES</b>		
Dividends (Notes 7, 10 and 23)	<b>₱8,271,512,167</b>	₱4,446,119,146
Revenue from contracts with customers (Notes 23 and 29):		
Marketing services	<b>802,448,582</b>	639,423,431
Management services	<b>150,000,000</b>	150,000,000
Sale of power	<b>32,155,207</b>	29,675,508
Capital recovery fee (Note 29)	<b>134,338,800</b>	134,338,800
	<b>9,390,454,756</b>	5,399,556,885
<b>COSTS (Note 16)</b>		
Services	<b>222,838,539</b>	214,250,855
Power generation	<b>103,814,387</b>	101,431,944
	<b>326,652,926</b>	315,682,799
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)</b>	<b>291,651,690</b>	297,932,281
<b>FINANCE INCOME (Note 20)</b>	<b>(250,956,335)</b>	(268,398,967)
<b>FINANCE EXPENSE (Note 21)</b>	<b>39,715,767</b>	51,155,005
<b>OTHER CHARGES (INCOME) - net (Note 22)</b>	<b>(293,735,755)</b>	117,892,442
<b>INCOME BEFORE INCOME TAX</b>	<b>9,277,126,463</b>	4,885,293,325
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)</b>		
Current	<b>162,182,514</b>	171,978,191
Deferred	<b>138,496,532</b>	(114,583,431)
	<b>300,679,046</b>	57,394,760
<b>NET INCOME</b>	<b>₱8,976,447,417</b>	₱4,827,898,565
<b>Basic/Diluted Earnings Per Share (EPS; Note 15)</b>	<b>₱0.66</b>	₱0.35

*See accompanying Notes to Parent Company Financial Statements.*



**NICKEL ASIA CORPORATION****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>NET INCOME</b>	<b>₱8,976,447,417</b>	<b>₱4,827,898,565</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive income (loss) to be reclassified in the parent company statements of income:</i>		
Net valuation gains (losses) on financial assets at FVOCI (Note 7)	<b>(54,165,436)</b>	23,545,349
Income tax effect (Notes 7 and 26)	<b>(243,021)</b>	1,982,155
	<b>(54,408,457)</b>	25,527,504
<i>Other comprehensive income (loss) not to be reclassified to parent company statements of income in subsequent periods:</i>		
Remeasurement gain (loss) on pension liability (Note 25)	<b>3,319,362</b>	(33,914,208)
Income tax effect (Note 26)	<b>(3,101,444)</b>	10,174,262
	<b>217,918</b>	(23,739,946)
<b>OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>(54,190,539)</b>	1,787,558
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>₱8,922,256,878</b>	<b>₱4,829,686,123</b>

*See accompanying Notes to Parent Company Financial Statements.*



**NICKEL ASIA CORPORATION**

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Capital Stock (Note 13)		Additional Paid-in Capital	Share-based Payment Plan (Note 14)	Net Valuation Cost of Gains (Losses) on Share-based Financial Assets at FVOCI (Note 7)	Retained Earnings (Note 13)		Treasury Stock (Note 13)	Total
	Common Shares	Preferred Shares				Unappropriated	Appropriated		
<b>Balances at December 31, 2020</b>	<b>₱6,842,636,057</b>	<b>₱7,200,000</b>	<b>₱8,300,001,691</b>	<b>₱441,589,208</b>	<b>₱57,770,766</b>	<b>₱14,466,969,390</b>	<b>₱135,000,000</b>	<b>(₱134,014,558)</b>	<b>₱30,117,152,554</b>
Net income	-	-	-	-	-	8,976,447,417	-	-	8,976,447,417
Other comprehensive income (loss) - net of tax (Note 7)	-	-	-	-	(54,408,457)	217,918	-	-	(54,190,539)
<b>Total comprehensive income (loss) - net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(54,408,457)</b>	<b>8,976,665,335</b>	<b>-</b>	<b>-</b>	<b>8,922,256,878</b>
Cost of share-based payment plan (Notes 14 and 18)	-	-	-	29,169,131	-	-	-	-	29,169,131
Additional investment in subsidiaries (Notes 10 and 14)	-	-	-	2,684,227	-	-	-	-	2,684,227
Cash dividends (Note 13)	-	-	-	-	-	(6,133,882,553)	-	-	(6,133,882,553)
7% Cash dividends - Preferred shares	-	-	-	-	-	(504,000)	-	-	(504,000)
<b>Balances at December 31, 2021</b>	<b>₱6,842,636,057</b>	<b>₱7,200,000</b>	<b>₱8,300,001,691</b>	<b>₱473,442,566</b>	<b>₱3,362,309</b>	<b>₱17,309,248,172</b>	<b>₱135,000,000</b>	<b>(₱134,014,558)</b>	<b>₱32,936,876,237</b>

See accompanying Notes to Parent Company Financial Statements.



	Capital Stock (Note 13)		Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 14)	Net Valuation Gains on Financial Assets at FVOCI (Note 7)	Retained Earnings (Note 13)		Treasury Stock (Note 13)	Total
	Common Shares	Preferred Shares				Unappropriated	Appropriated		
Balances at December 31, 2019	₱6,842,636,057	₱7,200,000	₱8,300,001,691	₱370,522,170	₱32,243,262	₱12,387,739,406	₱1,500,000,000	(₱87,950,560)	₱29,352,392,026
Net income	-	-	-	-	-	4,827,898,565	-	-	4,827,898,565
Other comprehensive income (loss) - net of tax (Note 7)	-	-	-	-	25,527,504	(23,739,946)	-	-	1,787,558
Total comprehensive income - net of tax	-	-	-	-	25,527,504	4,804,158,619	-	-	4,829,686,123
Cost of share-based payment plan (Notes 14 and 18)	-	-	-	63,077,732	-	-	-	-	63,077,732
Additional investment in subsidiaries (Notes 10 and 14)	-	-	-	7,989,306	-	-	-	-	7,989,306
Cash dividends (Note 13)	-	-	-	-	-	(4,089,424,635)	-	-	(4,089,424,635)
7% Cash dividends - Preferred shares	-	-	-	-	-	(504,000)	-	-	(504,000)
Acquisition of treasury stock (Note 13)	-	-	-	-	-	-	-	(46,063,998)	(46,063,998)
Reversal of appropriation (Note 13)	-	-	-	-	-	1,365,000,000	(1,365,000,000)	-	-
Balances at December 31, 2020	₱6,842,636,057	₱7,200,000	₱8,300,001,691	₱441,589,208	₱57,770,766	₱14,466,969,390	₱135,000,000	(₱134,014,558)	₱30,117,152,554

See accompanying Notes to Parent Company Financial Statements.



**NICKEL ASIA CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱9,277,126,463</b>	₱4,885,293,325
Adjustments for:		
Dividend income (Notes 7, 10 and 23)	<b>(8,271,512,167)</b>	(4,446,119,146)
Interest income (Note 20)	<b>(243,352,168)</b>	(260,773,967)
Unrealized foreign exchange losses (gains; Note 22)	<b>(140,571,753)</b>	149,655,940
Depreciation and amortization (Notes 9 and 19)	<b>87,182,666</b>	83,635,019
Loss (gain) on:		
Changes in fair value of financial assets at FVTPL (Note 22)	<b>(43,227,425)</b>	(93,095,803)
Sale of financial assets at FVOCI (Note 22)	<b>28,262,293</b>	(47,156,705)
Cost of share-based payment plan (Notes 14 and 18)	<b>29,169,131</b>	63,077,732
Movements in pension liability (Note 25)	<b>(14,571,763)</b>	(9,149,152)
Accretion of interest on lease liability (Notes 21 and 24)	<b>2,109,221</b>	3,216,708
Interest expense on pension - net (Notes 21 and 25)	<b>1,213,966</b>	924,866
Operating income before working capital changes	<b>711,828,464</b>	329,508,817
Decrease (increase) in:		
Trade and other receivables	<b>(10,203,751)</b>	(42,480,328)
Prepayments and other current assets	<b>(5,270,268)</b>	20,843,119
Inventories	<b>978,959</b>	(68,701)
Increase (decrease) in trade and other payables	<b>3,851,110</b>	(37,666,269)
Net cash from operations	<b>701,184,514</b>	270,136,638
Income taxes paid	<b>(225,599,292)</b>	(128,684,792)
Net cash flows from operating activities	<b>475,585,222</b>	141,451,846
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at (Note 7):		
FVTPL	<b>(5,721,441,495)</b>	(3,251,619,663)
FVOCI	<b>(5,467,058,732)</b>	(4,662,784,578)
Property and equipment (Note 9)	<b>(3,870,635)</b>	(10,104,905)
Proceeds from sale or redemption of:		
Financial assets at:		
FVOCI	<b>6,811,107,313</b>	4,909,068,303
FVTPL	<b>3,640,682,612</b>	1,947,885,434
Amortized cost	<b>100,000,000</b>	244,216,754
Property and equipment	<b>442,027</b>	-
Dividends received	<b>5,546,607,285</b>	4,811,072,531
Issuance of loan and notes receivable (Notes 23 and 29)	<b>(1,183,500,000)</b>	(1,281,000,000)
Interest received	<b>257,467,785</b>	276,039,489
Investments in and advances to subsidiaries	<b>(218,477,051)</b>	(86,598,677)
Collection of loan and notes receivable (Note 29)	<b>111,227,360</b>	102,707,142
Deposits for future stock subscription	<b>(58,560,000)</b>	(85,996,000)
Increase in other noncurrent assets	<b>(13,290,596)</b>	(6,111,105)
Net cash flows from investing activities	<b>3,801,335,873</b>	2,906,774,725

(Forward)





	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Cash dividends (Note 13)	<b>(₱6,134,386,553)</b>	(₱4,089,928,635)
Principal portion of lease liability (Note 24)	<b>(17,030,100)</b>	(16,067,341)
Acquisition of treasury stock (Note 13)	-	(46,063,998)
Cash flows used in financing activities	<b>(6,151,416,653)</b>	(4,152,059,974)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,874,495,558)</b>	(1,103,833,403)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> (Note 22)	<b>16,056,733</b>	(108,162,694)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,668,034,086</b>	4,880,030,183
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Note 4)	<b>₱1,809,595,261</b>	₱3,668,034,086

*See accompanying Notes to Parent Company Financial Statements.*



# NICKEL ASIA CORPORATION

## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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### 1. Corporate Information

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

The common shares of the Company were listed on the Philippine Stock Exchange (PSE) on November 22, 2010.

The registered office address of the Company is at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

#### Coronavirus Disease (COVID-19) Outbreak

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation (PP) No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, PP No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021.

These have caused disruptions to businesses and economic activities; however, the Company has determined that these series of events have not materially affected its financial position as at December 31, 2021 and 2020 and its financial performance and cash flows for the years then ended.

As at March 10, 2022, NCR is under Alert Level 1.

The parent company financial statements as at December 31, 2021 and 2020 and for the years then ended were authorized for issuance by the Board of Directors (BOD) on March 10, 2022.

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

#### Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for financial assets at FVTPL and at FVOCI, which are measured at fair value. The parent company financial statements are presented in Philippine peso which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

The accompanying separate parent company financial statements of the Company are prepared for submission to the SEC and the Bureau of Internal Revenue (BIR). The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements and are presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.



### Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRSs.

### Changes in Accounting Policies and Disclosures

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

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendment to PFRS 16, *COVID-19 related Rent Concessions beyond June 30, 2021*
- Amendments to PFRS 9, Philippine Accounting Standards (PAS) 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the parent company financial statements. The Company intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a First-Time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *Deferred Effectivity*

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



The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the parent company financial statements in the year of adoption, if applicable.

### Summary of Significant Accounting and Financial Reporting Policies

#### Presentation of Parent Company Financial Statements

The Company has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (parent company statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (parent company statement of comprehensive income).

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to "Other charges (income) - net" in the parent company statement of income.

#### Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
  - Held primarily for the purpose of trading;
  - Expected to be realized within twelve (12) months after the end of the financial reporting period;
- or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the financial reporting period.

The Company classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Company classifies all other liabilities as noncurrent. Deferred income tax assets and deferred income tax liabilities are presented as net in the parent company statement of financial position under noncurrent items.



### Fair Value Measurement

The Company measures financial instruments at fair value at each end of the financial reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the financial reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level in the fair value hierarchy as explained above.

### Cash and Cash Equivalents

Cash includes cash on hand, with banks and under managed funds. Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three (3) months depending on



the immediate cash requirements of the Company and earn interest at the respective short-term cash investment rates.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Date of Recognition

The Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

#### Financial Assets

##### *Initial Recognition, Classification and Measurement of Financial Instruments*

Financial assets are classified, at initial recognition, as subsequently measured at FVTPL, at FVOCI and at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one (1) year or less, are measured at the transaction price determined under PFRS 15.

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

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the



performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

#### *Subsequent Measurement*

For purposes of subsequent measurement, the Company's financial assets are classified in the following categories:

- Financial assets at FVTPL
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at amortized cost (debt instruments)

#### Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of income. A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

This category includes debt and equity investments which the Company had not irrevocably elected to classify at FVOCI (see Note 7). Dividends on equity investments are recognized when the right of payment has been established (see Note 22).

#### Financial Assets at FVOCI (Debt Instruments)

The Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the parent company statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the parent company statement of income. The Company's debt instruments at FVOCI include investments in quoted debt instruments such as government and corporate bonds and other similar investments (see Note 7). The Company does not hold equity instruments measured at FVOCI.



#### Financial Assets at Amortized Cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, investment in certain debt instruments, loan and notes receivable, and long-term negotiable instruments (see Notes 4, 5, 7 and 11).

#### *Impairment of Financial Assets*

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

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the twelve (12)-months after the financial reporting date are recognized.

*Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

*Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

#### Determining the Stage for Impairment

At each financial reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the financial reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a twelve (12)-month ECL. The low





credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

For cash and cash equivalents, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either a twelve (12)-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents since initial recognition.

The Company computes ECLs using the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) for trade receivables. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each end of the financial reporting period.

The Company's debt instruments at FVOCI and at amortized cost comprise of quoted bonds and government securities that are graded in the investment category by either Standard & Poor's (S&P), Moody's, Bloomberg or Fitch (collectively referred to as the Credit Rating Agencies), whichever is applicable, and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a twelve (12)-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are thirty (30) days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company writes-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The Company writes-off an account when all of the following conditions are met:

- the asset is past due for over thirty (30) days, or is already an item-in-litigation with any of the following:
  - a. no properties of the counterparty could be attached
  - b. the whereabouts of the counterparty cannot be located
  - c. it would be more expensive for the Company to follow-up and collect the amount, hence the Company have ceased enforcement activity, and
  - d. collections can no longer be made due to insolvency or bankruptcy of the counterparty
- expanded credit arrangement is no longer possible;
- filing of legal case is not possible; and
- the account has been classified as 'Loss'.



### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

### Financial Liabilities

#### *Initial Recognition, Classification and Measurement of Financial Instruments*

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax.

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

The Company's financial liabilities are in the nature of other financial liabilities. The Company has no financial liabilities classified as at FVTPL and derivatives designated as hedging instruments in an effective hedge.

#### *Subsequent Measurement*

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

#### Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVTPL upon the inception of the liability. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized as well as through the EIR amortization process.



Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under “Finance expense” in the parent company statement of income.

Other financial liabilities are included under current liabilities if settlement is within twelve (12) months from the end of the financial reporting period, otherwise, these are classified as noncurrent liabilities.

This accounting policy applies primarily to the Company’s trade and other payables that meet the above definition (excluding government payables and other liabilities that are covered by other accounting standards, such as income tax payable and pension) and lease liability (see Notes 12 and 24).

#### *Derecognition*

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

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

#### Reclassifications of Financial Instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company assesses that it has a currently enforceable right of offset and the right is not contingent on a future event, event of default and event of insolvency or bankruptcy of the Company and all of the counterparties, and is legally enforceable in the normal course of business.

#### Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost of inventories is determined using moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. The NRV of inventories is the current replacement cost. Any provision for impairment losses is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence. The Company expects to realize or consume the inventories within twelve (12) months after the end of the financial reporting period.

#### Prepayments and Other Current and Noncurrent Assets

Prepayments and other current assets include input value-added tax (VAT), advances and deposits to suppliers and other prepayments. Other noncurrent assets include deposits for future stock subscription, long-term negotiable instruments, computer software, advances and deposits to suppliers - net of current portion, and restricted cash. The assets are classified as current when it is



probable to be realized within one (1) year from the end of the financial reporting period. Otherwise, these are classified as noncurrent assets.

#### *VAT*

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position. Deferred input VAT represents input VAT on capital assets subject to amortization. Input VAT is stated at cost less any impairment in value.

#### Investments in Subsidiaries

Investments in subsidiaries are accounted for at cost, less any impairment in value, as provided under PAS 27, *Separate Financial Statements*. Subsidiaries are entities over which the Company has control.

The Company controls an investee if and only if the Company has:

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

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

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

#### Investments in Associates

An associate is an entity over which the Company is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control activities. The Company's investments in associates are accounted for using the cost method, less any impairment in value, in the parent company statement of financial position.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the parent company statement of income.



The Company's subsidiaries and associates include the following:

	Principal Place of Business	Principal Activities	Effective Ownership	
			2021	2020
<i>Subsidiaries</i>				
Hinatuan Mining Corporation (HMC)	Philippines	Mining and Services	100.00%	100.00%
Cagdianao Mining Corporation (CMC)	Philippines	Mining	100.00%	100.00%
Dinapigue Mining Corporation (DMC)	Philippines	Mining	100.00%	100.00%
Samar Nickel Mining Resources Corporation (SNMRC)	Philippines	Mining	100.00%	100.00%
CDTN Services Company Inc. (CDTN) <sup>(a)</sup>	Philippines	Services	100.00%	100.00%
Coral Pearl Developments Limited (CPDL)	British Virgin Islands	Services	100.00%	100.00%
La Costa Shipping and Lighterage Corporation <sup>(b)</sup>	Philippines	Services	100.00%	100.00%
Falck Exp Inc. <sup>(c)</sup>	Philippines	Mining	88.00%	88.00%
Cordillera Exploration Co., Inc (CExCI)	Philippines	Mining	71.25%	71.25%
Newminco Pacific Mining Corporation (Newminco) <sup>(d)</sup>	Philippines	Mining	71.25%	71.25%
Taganito Mining Corporation (TMC)	Philippines	Mining and Services	65.00%	65.00%
Rio Tuba Nickel Mining Corporation (RTN)	Philippines	Mining and Services	60.00%	60.00%
Emerging Power Inc. (EPI)	Philippines	Renewable Energy Developer	86.29%	86.29%
Mindoro Geothermal Power Corporation (MGPC) <sup>(e)</sup>	Philippines	Renewable Energy Developer	86.29%	86.29%
Biliran Holdings Inc. <sup>(e)</sup>	Philippines	Services	86.29%	86.29%
Northern Palawan Power Generation Corporation <sup>(e)</sup>	Philippines	Power Generation	86.29%	86.29%
Jobin-SQM, Inc. (JSI) <sup>(e,f)</sup>	Philippines	Power Generation	82.87%	77.66%
Biliran Geothermal Inc. <sup>(e)</sup>	Philippines	Power Generation	51.77%	51.77%
<i>Associates</i>				
Taganito HPAL Nickel Corporation (THNC)	Philippines	Manufacturing	10.00%	10.00%
Coral Bay Nickel Corporation (CBNC)	Philippines	Manufacturing	10.00%	10.00%

(a) Incorporated on December 21, 2020

(b) Indirect ownership through HMC

(c) Indirect ownership through HMC, CMC and TMC

(d) Indirect ownership through CExCI

(e) Indirect ownership through EPI

(f) Partially disposed to TBEA International Engineering Co. Ltd (TBEA) on June 17, 2020 and to the Company, by way of dation in payment, on March 29, 2021

### Property and Equipment

The Company's property and equipment is consist of land, buildings and improvements, plant and facilities, generator sets, transmission lines and substation, equipment, construction in-progress, and right-of-use (ROU) asset that do not qualify as investment property.

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment loss. The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any accumulated impairment loss.



The Company recognizes ROU asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU asset is initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liability. The initial cost of ROU asset includes the amount of lease liability recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Construction in-progress, represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use.

Depreciation and/or amortization is computed on the straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Buildings and improvements (including plant and facilities)	5-15
Generator sets	15
Transmission lines and substation	15
Transportation equipment	2-5
Tools and other equipment	2-10

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU asset is amortized on a straight-line basis over the shorter of the lease term and estimated useful life of the asset. ROU asset is subject to impairment.

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

The estimated residual values, if any, useful lives and depreciation and amortization methods are reviewed periodically to ensure that the estimated residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. If there is an indication that there has been a significant change in the estimated residual values, useful lives, and periods and methods of depreciation and amortization, these are revised prospectively to reflect the new expectations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.



An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

#### Impairment of Nonfinancial Assets

##### *Inventories*

The Company determines the NRV of inventories at each end of the financial reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the parent company statement of income in the year the impairment is incurred. In the case when NRV of the inventories increased subsequently, the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

##### *Investments in Associates*

The Company determines whether it is necessary to recognize an impairment loss on its investments in associates. The Company determines at each end of the financial reporting period whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the parent company statement of income.

##### *Investments in and Advances to Subsidiaries*

The Company determines at each end of the financial reporting period whether there is any objective evidence that the investments in and advances to subsidiaries are impaired. If this is the case, the Company calculates the amount of impairment being the difference between the fair value of the investments and advances and the acquisition cost and recognizes the amount in the parent company statement of income.

##### *Property and Equipment*

The Company assesses, at each end of the financial reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the parent company statement of income.

Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the parent company statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.



#### *Other Nonfinancial Assets*

The Company provides allowance for impairment losses on other nonfinancial assets when they can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the financial reporting period and adjusted to reflect the current best estimate. The expense relating to any provision is presented in the parent company statement of income, net of any reimbursement.

#### Leases

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liability to make lease payments and ROU asset representing the right to use the underlying asset.

#### *Lease Liability*

At the commencement date of the lease, the Company recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include, if any, the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term Leases and Leases of Low-value Assets*

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

#### Capital Stock

Common shares are classified as equity and are measured at par value for all shares issued and outstanding.





Preferred shares are classified as equity if these are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's BOD. Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the parent company statement of income as accrued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

#### Other Comprehensive Income

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

#### Share-based Payment Transactions

The executives of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transaction is determined by the fair value at the date when the grant is made using the Black Scholes-Merton model. The cost of equity-settled transaction is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each end of the financial reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit in the parent company statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and are recognized in "Personnel Costs".

No expense is recognized for awards that do not ultimately vest.

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted EPS.



### Retained Earnings

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

Dividends are recognized as a liability and deducted from equity when they are approved by the BOD and/or stockholders of the Company. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the end of the financial reporting period.

### Treasury Stock

Own equity instruments that are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the "Additional paid-in capital".

### Basic/Diluted EPS

#### *Basic EPS*

Basic EPS is calculated by dividing the net income by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

#### *Diluted EPS*

Diluted EPS is calculated by dividing the net income by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury stock.

### Revenue from Contracts with Customers

The Company is engaged in rendering of services and generating revenue from sale of power. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

#### *Sale of Power*

For sale of power to Surigao Del Norte Electric Cooperative, Inc. (SURNECO), the enforceable contract is the Power Supply Agreement (PSA) dated October 31, 2013.

The performance obligation is the sale of power since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

The Company concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the Company supplies power.



### Contract Balances

#### *Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Company does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

#### *Trade Receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "*Financial Assets - Initial Recognition, Classification and Measurement*".

#### *Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

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

#### *Dividends*

Revenue is recognized when the Company's right to receive payment is established.

#### *Management Services, Marketing Services and Guarantee Fee Income*

Revenue is recognized as the services are rendered.

#### *Capital Recovery Fee*

Revenue is recognized on a straight-line basis over the term of the PSA.

#### *Interest Income*

Income is recognized as interest accrues using the EIR method that uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### *Other Income*

Revenue is recognized as they are earned.

### Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the service is used or the expense arises, while interest expense is accrued in the appropriate period.

#### *Cost of Services*

Cost of services is incurred in the normal course of business and is provided in the period when the related service has been rendered.



#### *Cost of Power Generation*

Cost of power generation includes expenses incurred for the generation of revenues from electricity at plant site. These are expensed when incurred.

#### *General and Administrative Expenses*

General and administrative expenses constitute the expenses incurred in the direction and general administration of day-to-day operation of the Company. These are generally recognized when the expense arises.

#### Pension Costs

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as pension costs under "Personnel costs" in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized and included under "Finance expense" or "Finance income" in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the parent company statement of income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19 are closed to retained earnings.

#### Income Taxes

##### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the financial reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



### *Deferred Income Tax*

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

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized outside the parent company statement of income is recognized outside the parent company statement income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

### Uncertainty Over Income Tax Treatments

The Company assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Company then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Company concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Company measures tax



amounts based on the ‘most likely amount’ method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or ‘expected value’ method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Company presents uncertain tax liabilities as part of current income tax liabilities or deferred income tax liabilities.

#### Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the parent company financial statements but is disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

#### Events After the End of the Financial Reporting Period

Post year-end events that provide additional information about the Company’s position at the end of the financial reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

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

The preparation of parent company financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The judgments, estimates and assumptions are based upon management’s evaluation of relevant facts and circumstances as at the end of the financial reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

#### Judgments

In the process of applying the Company’s accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the parent company financial statements:

#### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenues and expenses of the Company.



#### *Classifying Financial Instruments*

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position.

#### *Determining Whether Significant Influence Exists*

The Company recognized its ownership interest in THNC and CBNC as investments in associates. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures*, the existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- Participation in policy-making processes through its representation on the BOD; or
- Material transactions between the entity and its investee such as the supply of all the nickel ore and/or limestone requirement of the investee and/or the use of the subsidiaries' land and infrastructure necessary for the production of the products of the investee.

Due to the nature of the Company's involvement in THNC and CBNC and other various factors, the Company assessed that significant influence exists. The Company's 10% interest in THNC and CBNC were recognized at cost amounting to ₱1,974.7 million and ₱1,418.7 million, respectively, as at December 31, 2021 and 2020 (see Note 10).

The Company also owns 25% ownership interest in Eurasian Consolidated Minerals Pty Ltd (ECM) which was recognized as financial assets at FVTPL. The Company assessed that no significant influence exists due to:

- Absence of material transactions between ECM and the Company;
- No interchange of managerial personnel; and
- Non-participation of the Company in the policy-making process, as the group of shareholders that holds the majority ownership of the investee operates without regard to the views of the Company.

#### *Determining Applicability of International Financial Reporting Interpretations Committee (IFRIC) 12, Service Concession Arrangements on the PSA with SURNECO*

An arrangement would fall under IFRIC 12 if the two conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price, and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

The infrastructure used for its entire useful life ('whole of life assets') is within the scope of IFRIC 12 if the arrangement meets the conditions in (a).

Based on management's judgment, the PSA with SURNECO is outside the scope of IFRIC 12 since SURNECO does not control or regulates the services of the operator, which is the Company, in using the power plant including its pricing.

#### *Operating Lease - Company as the Lessor*

In accounting for its PSA with SURNECO, the Company's management has made a judgment that the PSA is an arrangement that contains a lease. The Company has not transferred substantially all the risks and rewards incidental to the ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to transfer the power plant at the end of the PSA



for no consideration. Accordingly, the Company accounted for the agreement as an operating lease. The capital recovery fee billed to SURNECO are recorded as revenue based on the terms of the PSA.

*Determining the Lease Term of Contracts with Renewal and Termination Options - Company as Lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customization to the leased asset).

The renewal period for the lease of the office space is not included as part of the lease term as this is not reasonably certain to be exercised. Furthermore, the periods covered by termination options, if any, are included as part of the lease term only when they are reasonably certain not to be exercised.

*Identifying the Enforceable Contract - Rendering of Services*

The Company entered into various service agreements with its subsidiaries, such as management and marketing services, and agreement to supply power to SURNECO, that sets out the general terms and conditions governing each service that occur. The Company has the experience and expertise required for the services needed and the customers recognize the capability of the Company and hire its services under the terms and conditions specified and agreed upon in the contract. Therefore, the enforceable contracts are the service agreements and/or PSAs entered into with different customers.

*Identifying Performance Obligations*

The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if: i) each distinct good or services in the series are transferred over time, and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

With regard to the sale of power, it is considered as a performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract.

The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.





*Determining the Timing of Satisfaction of the Sale of Power*

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company concluded that revenue from sale of power are to be recognized over time since the customer simultaneously receives and consumes the benefits as the Company supplies power.

*Identifying Methods for Measuring Progress of Revenue Recognized over Time*

The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For sale of power, the Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Company recognizes revenue based on the actual energy dispatched and billed based on the rates approved by the Energy Regulatory Commission (ERC).

*Determining the Company's Business Model*

The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

*Defining Default and Credit-Impaired Financial Assets*

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than thirty (30) days past due on its contractual payments, which is consistent with the Company's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - a. The borrower is experiencing financial difficulty or is insolvent;
  - b. The borrower is in breach of financial covenant(s);
  - c. An active market for that financial assets has disappeared because of financial difficulties;
  - d. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty;
  - e. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
  - f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.



The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Company's ECL calculation.

An instrument is no longer in default (i.e., to have cured) when it no longer meets any of the default criteria.

#### *Identifying Forward Looking Information*

In its ECL models, the Company relies on forward looking information as economic inputs, such as:

- Dollar index rate
- Gross domestic product growth
- Inflation rates
- Unemployment rates

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past five (5) years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the end of the financial reporting period. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

#### *Determining Significant Increase in Credit Risk*

The criteria for determining whether credit risk has increased significantly vary and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than thirty (30) days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the related party/customer.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria can identify significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes thirty (30) days past due; and
- there is no unwarranted volatility in loss allowance from transfers between twelve (12)-month PD (stage 1) and lifetime PD (stage 2).

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria, or which are less than thirty (30) days past due, are considered to have a low credit risk. The provision for ECL for these financial assets is based on a twelve (12)-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.



An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial reporting period that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed below:

#### *Estimating Allowance for ECL on Trade and Other Receivables and Loan and Notes Receivable*

The Company uses a provision matrix to calculate ECLs for trade and other receivables and loan and notes receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every end of the financial reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade and other receivables and loan and notes receivable is disclosed in Note 5 to the parent company financial statements.

#### *Calculating ECL*

The Company calculates ECLs based on unbiased and a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the financial reporting period, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Company considers three scenarios (a base case, a best case, and a worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for



selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

*Estimating Allowance for Impairment Losses on Investments in and Advances to Subsidiaries and Associates*

Impairment review of investments in and advances to subsidiaries and associates is performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. Management has determined that there are no events or changes in circumstances in 2021 and 2020 that may indicate that the carrying value of investments in and advances to subsidiaries and associates may not be recoverable.

No allowance for impairment losses on investments in and advances to subsidiaries and associates have been recognized as at December 31, 2021 and 2020. Investments in and advances to subsidiaries amounted to ₱10,820.3 million and ₱10,074.2 million as at December 31, 2021 and 2020, respectively. The carrying values of the Company's investments in associates amounted to ₱3,393.4 million as at December 31, 2021 and 2020 (see Note 10).

*Estimating Allowance for Impairment Losses on Property and Equipment*

The Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to profit or loss if the expected discounted future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized in 2021 and 2020.

The carrying values of property and equipment amounted to ₱667.0 million and ₱743.3 million as at December 31, 2021 and 2020, respectively (see Note 9).

*Estimating Useful Lives of Property and Equipment (except Land)*

The Company estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on



collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of property and equipment in 2021 and 2020.

The carrying values of property and equipment, except land and construction in-progress, as at December 31, 2021 and 2020 amounted to ₱652.2 million and ₱729.2 million, respectively (net of accumulated depreciation and amortization of ₱306.9 million and ₱228.6 million, respectively; see Note 9).

#### *Estimating the Incremental Borrowing Rate of the Lease*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The Company's lease liability amounted to ₱19.5 million and ₱34.4 million as at December 31, 2021 and 2020 (see Note 24). The incremental borrowing rate used in 2021 and 2020 is 8.02%.

#### *Determining Pension Costs*

The cost of defined benefit retirement as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions, as described in Note 25. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit pension liability are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit pension liability. All assumptions are reviewed at each end of the financial reporting period. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Company's pension liability. Net pension liability amounted to ₱27.5 million and ₱44.2 million as at December 31, 2021 and 2020, respectively (see Note 25).

#### *Estimating Fair Value of Share-based Payment Transactions*

The Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Company at a grant price. The ESOP recognizes the services received from eligible employees and an equivalent adjustment to the equity account over the vesting period. The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 14 to the



parent company financial statements. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may no longer affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized in “Cost of services” and “General and administrative expenses”, with a corresponding charge to the equity account, amounted to ₱9.5 million and ₱19.7 million, respectively, in 2021, and ₱25.0 million and ₱38.1 million, respectively, in 2020 (see Notes 14 and 18).

*Estimating Recoverability of Deferred Income Tax Assets*

The Company reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Company recognized deferred income tax assets amounting to ₱111.2 million and ₱179.0 million as at December 31, 2021 and 2020, respectively, as management believes that the Company will generate sufficient future taxable profits from which these deferred income tax assets can be utilized (see Note 26).

As at December 31, 2021 and 2020, the Company has temporary difference on allowance for impairment losses on trade and other receivables amounting to ₱3.5 million, for which no deferred income tax asset was recognized because it is more likely than not that the carry-forward benefits will not be realized in the future.

*Determining Fair Values of Financial Instruments*

Where the fair values of financial assets and liabilities recorded in the parent company statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 28).

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**4. Cash and Cash Equivalents**

	<b>2021</b>	2020
Cash on hand and with banks	<b>₱67,755,080</b>	₱227,466,599
Cash under managed funds	<b>729,571,647</b>	1,634,697,400
Cash equivalents	<b>1,012,268,534</b>	1,805,870,087
	<b>₱1,809,595,261</b>	₱3,668,034,086

Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term cash investment rates. The carrying value of cash and cash equivalents approximates their fair value as at the end of the financial reporting period.

Short-term cash investments include local currency and United States Dollar (US\$) denominated cash investments. Short-term cash investments denominated in US\$ earn interest ranging from 0.01% to 0.50% per annum (p.a.) and 0.01% to 1.87% p.a. in 2021 and 2020, respectively. Short-term cash



investments denominated in local currency earn interest ranging from 0.001% to 1.25% p.a. and 0.01% to 3.40% p.a. in 2021 and 2020, respectively.

The Company has US\$ denominated cash and cash equivalents amounting to US\$26.7 million equivalent to ₱1,363.0 million, and US\$68.4 million equivalent to ₱3,283.2 million, as at December 31, 2021 and 2020, respectively (see Note 27).

Interest income from cash and cash equivalents amounted to ₱7.5 million and ₱43.1 million in 2021 and 2020, respectively (see Note 20).

## 5. Trade and Other Receivables

	2021	2020
Trade (see Note 23)	<b>₱191,356,272</b>	₱181,844,461
Dividend receivables (see Notes 10 and 23)	<b>4,280,250,557</b>	1,550,170,675
Current portion of loan and notes receivables (see Notes 23 and 29)	<b>2,169,051,100</b>	929,897,459
Amounts owed by related parties (see Note 23)	<b>28,987,615</b>	27,601,643
Interest receivable (see Note 23)	<b>21,910,364</b>	36,025,981
Advances to officers and employees	<b>6,903,418</b>	7,675,788
Guarantee fee receivable (see Notes 23 and 29)	<b>3,104,167</b>	3,042,083
Other receivables	<b>9,233,631</b>	9,217,378
	<b>6,710,797,124</b>	2,745,475,468
Less allowance for ECLs	<b>3,467,502</b>	3,467,502
	<b>₱6,707,329,622</b>	₱2,742,007,966

Trade receivables are noninterest-bearing and are generally on thirty (30) to sixty (60) days' term.

Dividend receivables pertain to the cash dividends declared by TMC, RTN, HMC, CMC, CBNC and other domestic corporations which are collectible in January of the following year.

Loan and notes receivable pertain to the loans issued to JSI and current portions of long-term loans to EPI and CPDL. The principal amount of these loans is collectible within one (1) year based on the agreed principal repayment dates (see Note 29).

Amounts owed by related parties are noninterest-bearing with no fixed maturities and are generally collectible on demand. Amounts owed by related parties pertain to payments made by the Company on behalf of/to its related parties.

Interest receivable is derived from short-term cash investments placed in various local/foreign banks, which are collectible upon maturity, from debt securities and long-term negotiable instruments, which are collectible either monthly, quarterly or semi-annually, and from loans issued to EPI, JSI and CPDL which are collectible on agreed payment dates.

Advances to officers and employees, which are noninterest-bearing, are subject for liquidation or collectible through salary deduction.

Guarantee fee receivable refers to the loan guarantee made by the Company in favor of EPI, which is collectible every February 5 and August 5 of each year until the loan is fully paid by EPI (see Note 29).



Other receivables are noninterest-bearing with no fixed maturities and are generally collectible on demand.

The Company has US\$ denominated trade and other receivables amounting to US\$5.9 million, equivalent to ₱299.9 million, and US\$1.4 million, equivalent to ₱65.6 million as at December 31, 2021 and 2020, respectively (see Note 27).

## 6. Inventories - at cost

	2021	2020
Materials and supplies	<b>₱9,947,193</b>	₱10,923,277
Fuel, oil and lubricants	<b>9,316,411</b>	9,319,286
	<b>₱19,263,604</b>	₱20,242,563

The aggregate cost of inventories charged to expense amounted to ₱6.5 million and ₱4.6 million in 2021 and 2020, respectively (see Note 16).

## 7. Financial Assets

	2021		
	Financial Assets at		
	FVTPL	FVOCI	Amortized Cost
Debt securities	<b>₱3,459,090,519</b>	<b>₱1,122,283,516</b>	<b>₱110,000,000</b>
Equity securities	<b>1,911,019,535</b>	-	-
	<b>₱5,370,110,054</b>	<b>₱1,122,283,516</b>	<b>₱110,000,000</b>
	2020		
	Financial Assets at		
	FVTPL	FVOCI	Amortized Cost
Debt securities	₱1,826,274,867	₱2,548,759,826	₱210,000,000
Equity securities	1,325,566,779	-	-
	₱3,151,841,646	₱2,548,759,826	₱210,000,000

The Company's financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, mutual funds and debt securities such as corporate bonds and government securities which are either unquoted or with quoted market prices.

Debt and equity securities are carried at either fair market value or at amortized cost as at the end of the financial reporting period.





The movements in financial assets follow:

	2021		
	Financial Assets at		
	FVTPL	FVOCI	Amortized Cost
Balances at January 1	₱3,151,841,646	₱2,548,759,826	₱210,000,000
Additions	5,721,441,495	5,467,058,732	-
Disposals	(3,640,682,612)	(6,839,369,606)	(100,000,000)
Effect of changes in foreign exchange rate (see Note 22)	94,282,100	-	-
Net valuation gains (losses) on financial assets	43,227,425	(54,165,436)	-
Balances at December 31	5,370,110,054	1,122,283,516	110,000,000
Less noncurrent portion	104,030,000	-	110,000,000
<b>Current portion</b>	<b>₱5,266,080,054</b>	<b>₱1,122,283,516</b>	<b>₱-</b>

	2020		
	Financial Assets at		
	FVTPL	FVOCI	Amortized Cost
Balances at January 1	₱1,766,046,939	₱2,730,167,734	₱454,216,754
Additions	3,251,018,906	4,639,844,917	-
Disposals	(1,947,410,696)	(4,837,255,228)	(244,216,754)
Effect of changes in foreign exchange rate (see Note 22)	(10,909,306)	(7,542,946)	-
Net valuation gains on financial assets	93,095,803	23,545,349	-
Balances at December 31	3,151,841,646	2,548,759,826	210,000,000
Less noncurrent portion	305,020,000	-	110,000,000
<b>Current portion</b>	<b>₱2,846,821,646</b>	<b>₱2,548,759,826</b>	<b>₱100,000,000</b>

The movements in “Net valuation gains on financial assets at FVOCI” presented as a separate component of equity follows:

	2021	2020
Balances at January 1	₱57,770,766	₱32,243,262
Movements recognized in equity:		
Gains (losses) recognized in equity	(82,427,729)	70,702,054
Reclassification adjustments for loss (income) included in the parent company statements of income (see Note 22)	28,262,293	(47,156,705)
Income tax effect	(243,021)	1,982,155
Valuation gains (losses) taken into the parent company statements of comprehensive income - net of tax	(54,408,457)	25,527,504
<b>Balances at December 31</b>	<b>₱3,362,309</b>	<b>₱57,770,766</b>



The Company sold some of its debt and equity securities at a loss of ₱28.3 million in 2021 and at a gain of ₱47.2 million in 2020 (see Note 22).

Interest income from debt securities in 2021 and 2020 amounted to ₱115.3 million and ₱124.4 million, respectively (see Note 20).

Dividend income from equity securities in 2021 and 2020 amounted to ₱16.7 million and ₱18.1 million, respectively.

In 2021 and 2020, the Company did not recognize any provision for ECL on its financial assets at FVOCI and at amortized cost.

The Company has US\$ denominated financial assets amounting to US\$92.3 million, equivalent to ₱4,705.6 million, and US\$51.9 million, equivalent to ₱2,493.6 million, as at December 31, 2021 and 2020, respectively (see Note 27).

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## 8. Prepayments and Other Current Assets

	2021	2020
Input VAT	₱43,796,771	₱62,634,840
Advances and deposits to suppliers	26,632,632	529,397
Prepaid insurance	736,181	742,573
Other prepayments	8,853,837	10,842,343
	<b>₱80,019,421</b>	<b>₱74,749,153</b>

Input VAT represents the VAT passed on from purchases of applicable goods and services which can be recovered as tax credit against future output VAT from sale of services and/or goods of the Company.

Advances and deposits to suppliers pertain to security deposits and payments made in advance to suppliers which will be offset against future billings upon the delivery of goods and/or completion of services.

Other prepayments include prepaid rent and other prepaid expenses which are amortized within the next twelve (12) months from the end of the financial reporting period.



## 9. Property and Equipment

2021										
	Land	Generator Sets	Plant and Facilities	Transmission Lines and Substation	Buildings and Improvements	ROU Asset - Leasehold Improvements	Transportation Equipment	Tools and Other Equipment	Construction In-progress	Total
<b>Cost:</b>										
Balances at January 1	₱14,087,563	₱431,057,468	₱242,007,344	₱85,030,640	₱68,638,549	₱62,797,084	₱34,443,312	₱33,886,206	₱-	₱971,948,166
Additions	-	-	-	-	57,950	-	1,980,000	1,161,360	671,325	3,870,635
Disposals	-	-	-	-	(555,000)	-	(855,536)	(499,589)	-	(1,910,125)
<b>Balances at December 31</b>	<b>14,087,563</b>	<b>431,057,468</b>	<b>242,007,344</b>	<b>85,030,640</b>	<b>68,141,499</b>	<b>62,797,084</b>	<b>35,567,776</b>	<b>34,547,977</b>	<b>671,325</b>	<b>973,908,676</b>
<b>Accumulated depreciation and amortization:</b>										
Balances at January 1	-	72,090,273	40,334,557	14,456,306	27,553,116	28,625,278	19,886,536	25,703,778	-	228,649,844
Depreciation and amortization (see Note 19)	-	28,818,863	16,133,823	5,835,185	4,760,044	14,385,932	6,567,299	3,266,795	-	79,767,941
Disposals	-	-	-	-	(555,000)	-	(413,509)	(499,589)	-	(1,468,098)
<b>Balances at December 31</b>	<b>-</b>	<b>100,909,136</b>	<b>56,468,380</b>	<b>20,291,491</b>	<b>31,758,160</b>	<b>43,011,210</b>	<b>26,040,326</b>	<b>28,470,984</b>	<b>-</b>	<b>306,949,687</b>
<b>Net book values</b>	<b>₱14,087,563</b>	<b>₱330,148,332</b>	<b>₱185,538,964</b>	<b>₱64,739,149</b>	<b>₱36,383,339</b>	<b>₱19,785,874</b>	<b>₱9,527,450</b>	<b>₱6,076,993</b>	<b>₱671,325</b>	<b>₱666,958,989</b>
2020										
	Land	Generator Sets	Plant and Facilities	Transmission Lines and Substation	Buildings and Improvements	ROU Asset - Leasehold Improvements	Transportation Equipment	Tools and Other Equipment	Construction In-progress	Total
<b>Cost:</b>										
Balances at January 1	₱14,087,563	₱430,971,307	₱242,007,344	₱84,570,640	₱66,057,174	₱62,797,084	₱39,938,964	₱31,275,100	₱1,014,589	₱972,719,765
Additions	-	86,161	-	460,000	608,587	-	2,839,902	3,442,987	2,667,268	10,104,905
Reclassification/Transfer	-	-	-	-	3,566,108	-	-	-	(3,681,857)	(115,749)
Disposals	-	-	-	-	(1,593,320)	-	(8,335,554)	(831,881)	-	(10,760,755)
<b>Balances at December 31</b>	<b>14,087,563</b>	<b>431,057,468</b>	<b>242,007,344</b>	<b>85,030,640</b>	<b>68,638,549</b>	<b>62,797,084</b>	<b>34,443,312</b>	<b>33,886,206</b>	<b>-</b>	<b>971,948,166</b>
<b>Accumulated depreciation and amortization:</b>										
Balances at January 1	-	43,274,487	24,200,734	8,752,549	23,492,967	14,239,346	20,788,214	23,197,588	-	157,945,885
Depreciation and amortization (see Note 19)	-	28,815,786	16,133,823	5,703,757	5,653,469	14,385,932	7,433,876	3,338,071	-	81,464,714
Disposals	-	-	-	-	(1,593,320)	-	(8,335,554)	(831,881)	-	(10,760,755)
<b>Balances at December 31</b>	<b>-</b>	<b>72,090,273</b>	<b>40,334,557</b>	<b>14,456,306</b>	<b>27,553,116</b>	<b>28,625,278</b>	<b>19,886,536</b>	<b>25,703,778</b>	<b>-</b>	<b>228,649,844</b>
<b>Net book values</b>	<b>₱14,087,563</b>	<b>₱358,967,195</b>	<b>₱201,672,787</b>	<b>₱70,574,334</b>	<b>₱41,085,433</b>	<b>₱34,171,806</b>	<b>₱14,556,776</b>	<b>₱8,182,428</b>	<b>₱-</b>	<b>₱743,298,322</b>



## 10. Investments and Advances

	2021	2020
Investments in subsidiaries:		
EPI	<b>₱3,084,506,412</b>	₱3,084,506,412
TMC	<b>1,709,652,163</b>	1,709,652,163
HMC	<b>1,620,346,292</b>	1,620,346,292
CMC	<b>1,481,965,328</b>	1,481,965,328
DMC	<b>694,797,513</b>	694,797,513
JSI	<b>500,000,000</b>	-
RTN	<b>393,190,491</b>	393,190,491
SNMRC	<b>75,000,000</b>	75,000,000
CExCI	<b>63,305,500</b>	63,305,500
CDTN	<b>25,000,000</b>	-
CPDL	<b>52</b>	52
	<b>9,647,763,751</b>	9,122,763,751
Additional investment in subsidiaries arising from ESOP (see Note 14)	<b>84,314,748</b>	81,630,521
	<b>9,732,078,499</b>	9,204,394,272
Advances to subsidiaries:		
DMC	<b>1,081,004,267</b>	862,594,397
CExCI	<b>7,246,098</b>	7,178,917
	<b>1,088,250,365</b>	869,773,314
Investments in associates:		
THNC	<b>1,974,700,000</b>	1,974,700,000
CBNC	<b>1,418,722,080</b>	1,418,722,080
	<b>3,393,422,080</b>	3,393,422,080
	<b>₱14,213,750,944</b>	₱13,467,589,666

### Investments in Subsidiaries

#### *DMC*

On March 12, 2020, the Company converted a portion of its outstanding advances into common shares of DMC amounting to ₱209.2 million (equivalent to 209,232,233 common shares at ₱1 par value per share). The issuance of the additional common shares of DMC was approved by the latter's BOD on February 7, 2020.

#### *JSI*

On March 29, 2021, EPI partially paid its outstanding loan to the Company amounting to ₱500.0 million by way of dation in payment of EPI's right and interest equivalent to 38% of JSI's shares of stock.

#### *CDTN*

CDTN was registered with the SEC on December 21, 2020, and is a 100% owned subsidiary of the Company. On the same date, the Company subscribed to 24,999,995 common shares of CDTN at ₱1 par value per share for ₱25.0 million.



Investments in Associates

*THNC*

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any and all ingredient and products and by-products, wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach (HPAL) facility. TMC also provides services related to the handling, hauling and transportation of materials required in the processing operations of THNC. THNC started commercial operations in October 2013.

THNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱51.00 and US\$1 = ₱48.02 as at December 31, 2021 and 2020, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱49.29 and US\$1 = ₱49.63, respectively, for the statement of income accounts for the years then ended.

The following are the summarized financial information of THNC as at and for the years ended December 31, 2021 and 2020:

	2021	2020
Current assets	<b>₱11,078,828,425</b>	₱9,553,413,181
Noncurrent assets	<b>77,864,778,899</b>	73,157,540,468
Current liabilities	<b>(56,400,879,068)</b>	(50,895,974,822)
Noncurrent liabilities	<b>(5,882,726,280)</b>	(10,729,505,773)
Net assets	<b>₱26,660,001,976</b>	₱21,085,473,054

	2021	2020
Revenue	<b>₱21,318,374,605</b>	₱19,593,610,409
Expenses	<b>(17,193,955,137)</b>	(17,310,268,423)
Net income	<b>₱4,124,419,468</b>	₱2,283,341,986

*CBNC*

CBNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on April 4, 2002. CBNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide wherein RTN has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Coral Bay HPP facility. The agreement provides that it will terminate until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. Aside from supplying ore and limestone, RTN also provided ancillary services to Coral Bay HPAL facility until May 2021. Then starting June 2021, CDTN took over and now provides ancillary services to Coral Bay HPAL facility.

CBNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱51.00 and US\$1 = ₱48.02 as at December 31, 2021 and 2020, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱49.29 and US\$1 = ₱49.63, respectively, for the statement of income accounts for the years then ended.



The following are the summarized financial information of CBNC as at and for the years ended December 31, 2021 and 2020:

	2021	2020
Current assets	₱14,557,692,091	₱10,652,626,246
Noncurrent assets	17,290,586,669	17,357,674,268
Current liabilities	(4,109,797,412)	(1,017,740,620)
Noncurrent liabilities	(386,941,924)	(252,914,349)
<b>Net assets</b>	<b>₱27,351,539,424</b>	<b>₱26,739,645,545</b>

	2021	2020
Revenue	₱14,695,111,310	₱11,296,982,903
Expenses	(13,240,904,841)	(11,675,858,690)
<b>Net income (loss)</b>	<b>₱1,454,206,469</b>	<b>(₱378,875,787)</b>

### Dividends

Dividends received by the Company from its subsidiaries and associate follows:

2021						
	Date of declaration	Date of record	Amount declared (see Note 23)	Dividend per share	Outstanding balance (see Notes 5 and 23)	Date of payment
<b>Subsidiaries</b>						
<i>TMC</i>						
Cash dividend	December 17, 2021	December 17, 2021	₱2,925,000,000	₱1.13	₱2,925,000,000	January 28, 2022
Cash dividend	June 30, 2021	June 30, 2021	1,300,000,000	0.50	-	August 13, 2021
<i>CMC</i>						
Cash Dividend	November 10, 2021	November 10, 2021	900,000,000	1.03	200,000,000	₱500.0 million on November 29, 2021; ₱200.0 million on December 17, 2021; ₱200.0 million on January 28, 2022
Cash Dividend	July 06, 2021	July 06, 2021	1,000,000,000	1.14	-	₱600.0 million on July 28, 2021; ₱400.0 million on August 27, 2021
<i>RTN</i>						
Cash dividend	December 17, 2021	December 17, 2021	600,000,000	0.39	600,000,000	January 28, 2022
Cash dividend	June 30, 2021	June 30, 2021	480,000,000	0.31	-	August 13, 2021
<i>HMC</i>						
Cash dividend	November 10, 2021	November 10, 2021	800,000,000	1.55	300,000,000	₱300.0 million on November 29, 2021; ₱200.0 million on December 17, 2021; ₱300.0 million on January 28, 2022
<b>Associate</b>						
<i>CBNC</i>						
Cash dividend	December 17, 2021	December 17, 2021	249,820,000	4.25	249,820,000	January 6, 2022
			<b>₱8,254,820,000</b>			<b>₱4,274,820,000</b>



2020						
	Date of declaration	Date of record	Amount declared (see Note 23)	Dividend per share	Outstanding balance (see Notes 5 and 23)	Date of payment
<b>Subsidiaries</b>						
<i>TMC</i>						
Cash dividend	December 17, 2020	December 17, 2020	₱780,000,000	₱0.30	₱780,000,000	January 29, 2021
Cash dividend	June 29, 2020	June 29, 2020	1,430,000,000	0.55	–	August 14, 2020
<i>CMC</i>						
Cash Dividend	December 10, 2020	December 10, 2020	1,100,000,000	1.26	–	December 14, 2020
<i>RTN</i>						
Cash dividend	December 17, 2020	December 17, 2020	420,000,000	0.27	420,000,000	January 29, 2021
Cash dividend	June 29, 2020	June 29, 2020	348,000,000	0.23	–	August 14, 2020
<i>HMC</i>						
Cash dividend	December 17, 2020	December 17, 2020	350,000,000	0.68	350,000,000	₱50.0 million on February 26, 2021; ₱100.0 million on July 30, 2021; ₱200.0 million on September 30, 2021
					<b>₱4,428,000,000</b>	<b>₱1,550,000,000</b>

## 11. Other Noncurrent Assets

	2021	2020
Deposits for future stock subscription (see Note 29)	<b>₱1,789,606,012</b>	₱1,756,046,012
Long-term negotiable instruments	<b>40,000,000</b>	40,000,000
Computer software (net of accumulated amortization of ₱9.6 million and ₱2.2 million as at December 31, 2021 and 2020, respectively)	<b>14,438,297</b>	10,721,743
Advances and deposits to suppliers	<b>5,846,498</b>	5,488,811
Deferred input VAT	<b>1,801,630</b>	–
Restricted cash	<b>93,000</b>	93,000
	<b>₱1,851,785,437</b>	₱1,812,349,566

Deposits for future stock subscription pertain to the additional investments made by the Company to CExCI and EPI which are still subject to SEC's approval of CExCI's application for the conversion of advances into equity and EPI's application for the increase in authorized capital stock. In 2020, this also includes the ₱25.0 million deposit for the stock subscription to CDTN, a newly incorporated subsidiary of the Company. As at December 31, 2021, all the remaining applications to SEC are still in process.

The long-term negotiable instruments that will mature in 2023 earn interest at 3.87% p.a. and 4.50% p.a. Interest income from long-term negotiable instruments amounted to ₱1.4 million in 2021 and 2020 (see Note 20).



The movement of the Company's computer software follows:

	2021	2020
Cost:		
Beginning balance	₱12,947,920	₱7,559,686
Additions	11,131,279	5,388,234
Ending balance	<b>24,079,199</b>	12,947,920
Accumulated amortization:		
Beginning balance	2,226,177	55,872
Amortization (see Note 19)	7,414,725	2,170,305
Ending balance	<b>9,640,902</b>	2,226,177
Net book values	<b>₱14,438,297</b>	₱10,721,743

Advances and deposits to suppliers include security deposits to Manta Equities Inc. (Manta; the lessor), which shall be applied to any unpaid rent, dues, utilities or damages to the lessor or shall be refunded by the lessor to the Company at the end of the lease term.

The Company's restricted cash pertains to its trust accounts with Land Bank of the Philippines for the Electrification Fund (EF), Development and Livelihood Fund (DLF) and Reforestation, Watershed Management, Health and/or Environment Enhancement Fund (RWMHEEF), which are to be administered by the Department of Energy (DOE; see Note 29).

## 12. Trade and Other Payables

	2021	2020
Trade (see Note 23)	<b>₱10,096,090</b>	₱5,669,146
Government payables:		
Withholding taxes payable	31,118,449	26,411,223
Output VAT	7,113,558	7,141,706
Fringe benefit taxes (FBT) payable	825,730	875,575
Accrued expenses:		
Related party (see Note 23)	10,547,366	10,896,488
Third parties	2,579,501	9,283,500
Others	5,098,009	3,249,955
	<b>₱67,378,703</b>	₱63,527,593

Trade and accrued expenses are noninterest-bearing. Trade payables are generally settled within thirty (30) to sixty (60) days' term.

Government payables include withholding taxes which are normally settled within ten (10) to fifteen (15) days after the end of each reporting month or thirty (30) days after the end of each reporting quarter, and FBT which are normally settled within thirty (30) days after the end of the reporting quarter on which the fringe benefits are granted to the recipients.

Accrued expenses pertain to accruals made for guarantee service fee related to the loan availed by THNC and accruals made for expenses incurred but billings are not yet received. Accrued expenses are normally settled within twelve (12) months from the end of the financial reporting period.

Other payables are normally settled in the following month.





The Company has US\$ denominated trade and other payables amounting to US\$0.2 million, equivalent to ₱10.5 million and ₱10.9 million, as at December 31, 2021 and 2020, respectively (see Note 27).

### 13. Equity

#### Capital Stock

The capital structure of the Company follows:

	2021	2020
Common stock - ₱0.50 par value per share		
Authorized - 19,265,000,000 shares		
Issued - 13,685,272,117 shares in 2021 and 2020		
Outstanding - 13,630,850,117 shares in 2021 and 2020	<b>₱6,842,636,057</b>	₱6,842,636,057
Preferred stock - ₱0.01 par value per share		
Authorized and Issued - 720,000,000 shares	<b>7,200,000</b>	7,200,000
	<b>₱6,849,836,057</b>	₱6,849,836,057

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7.00% p.a.

#### Issued Capital Stock

Beginning November 22, 2010, the common shares of the Company were listed and traded on the PSE at an offer price of ₱15.00 per share, which is equivalent to ₱1.48 per share after the stock dividends.

As at December 31, 2021 and 2020, a total of 29% and 30% or 3,910,132,966 common shares and 4,034,433,405 common shares, respectively, of the outstanding common shares of the Company are registered in the name of eighty-four (84) and eighty-three (83) shareholders, respectively, while the balance of 71% and 70% or 9,720,717,151 common shares and 9,596,416,712 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

The movements in outstanding common stock follows:

	Number of Shares		
	Issued	Treasury	Outstanding
Balances at December 31, 2019	13,685,272,117	(33,734,000)	13,651,538,117
Acquisitions during the year	-	(20,688,000)	(20,688,000)
Balances at December 31, 2020	13,685,272,117	(54,422,000)	13,630,850,117
Acquisitions during the year	-	-	-
Balances at December 31, 2021	13,685,272,117	(54,422,000)	13,630,850,117

On April 5, 2018, the BOD approved the ESOP (2018 ESOP; the Plan) and was ratified by the Company's stockholders on May 28, 2018. On February 18, 2020, the Plan was approved by the SEC. A total of 375.0 million shares of stock was reserved for issue under the Plan. The basic terms and conditions of the stock option plan are disclosed in Note 14.



### Dividends

Dividends declared and paid by the Company follows:

Year	Type of Dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment
2021	<i>Cash Dividends</i>					
	Regular	March 11, 2021	March 25, 2021	₱1,226,776,511	₱0.09	April 8, 2021
	Special	March 11, 2021	March 25, 2021	1,908,319,016	0.14	April 8, 2021
	Special	November 4, 2021	November 18, 2021	2,998,787,026	0.22	December 2, 2021
2020	<i>Cash Dividends</i>					
	Regular	March 13, 2020	March 27, 2020	₱1,090,637,609	₱0.08	April 8, 2020
	Special	August 7, 2020	August 24, 2020	2,998,787,026	0.22	September 4, 2020

### Treasury Stock

On November 27, 2018, the BOD approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Company's common shares up to an aggregate value of ₱1,500.0 million. As at December 31, 2021 and 2020, the Company purchased from the market a total of 54,422,000 of its own common shares at an average price of ₱2.4625 per share or a total of ₱134.0 million.

### Appropriation of Retained Earnings

On November 27, 2018, the Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the Company. And on November 6, 2020, the Company's BOD approved the reversal of the appropriation of up to ₱1,365.0 million which took effect on December 2, 2020, the end of the Company's share buy-back program.

## 14. Executive Stock Option Plan

### 2018 ESOP

On April 5, 2018, the Plan was approved by the Company's BOD and was ratified by the stockholders on May 28, 2018. On February 18, 2020, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 155.0 million shares, which was further increased to 375.0 million shares, allocated to the Company's eligible participants.
2. The eligible participants are the directors and officers of the Company and its operating subsidiaries, including CExCI, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱4.38, which is equivalent to ₱2.43 after the effect of stock dividends.
4. The Plan was granted on June 15, 2018.
5. The term of the Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% after the first year of the Plan.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.



The fair value of the stock option is ₱2.19, which was estimated as at grant date, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the 2018 ESOP at effective grant date:

Grant date	June 15, 2018
Spot price per share	₱5.01
Exercise price	₱4.38
Expected volatility	45.34%
Option life	5.00 years
Dividend yield	2.16%
Risk-free rate	5.93%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Except for the increase in number of shares reserved for the exercise of 2018 ESOP, there have been no modifications or cancellations of stock options in 2021 and 2020.

As at December 31, 2021 and 2020, there are 278,947,780 total option shares granted with a weighted average exercise price of ₱2.43.

As at March 10, 2022, the Company is still waiting for SEC's approval of the exemption from registration of 123,976,792 common shares, which shall form part of the ESOP.

The movements in the cost of share-based payment plan included in equity are as follows:

	2021	2020
Balances at January 1	<b>₱441,589,208</b>	₱370,522,170
Stock option expense (see Notes 18 and 23)	<b>29,169,131</b>	63,077,732
Additional investment in subsidiaries (see Note 10)	<b>2,684,227</b>	7,989,306
Movements during the year	<b>31,853,358</b>	71,067,038
Balances at December 31	<b>₱473,442,566</b>	₱441,589,208

The weighted average remaining contractual life of options outstanding under the Plan was approximately one and a half (1.5) years and two and a half (2.5) years as at December 31, 2021 and 2020, respectively.

In 2021 and 2020, the cost of share-based payment plan amounting to ₱29.2 million and ₱63.1 million, respectively, are included in "Personnel costs" (see Note 18).



## 15. Earnings Per Share

The basic and diluted EPS were computed as follows:

	2021	2020
Net income	<b>₱8,976,447,417</b>	₱4,827,898,565
Preferred stock dividends	<b>504,000</b>	504,000
Net income available to ordinary shareholders	<b>8,975,943,417</b>	4,827,394,565
Dividends on dilutive potential ordinary shares	-	-
Net income adjusted for the effect of dilution	<b>₱8,975,943,417</b>	₱4,827,394,565
Weighted average number of common shares for basic EPS	<b>13,630,850,117</b>	13,633,815,950
Effect of dilution from share options	-	-
Weighted average number of common shares adjusted for the effect of dilution	<b>13,630,850,117</b>	13,633,815,950
Basic/Diluted EPS	<b>₱0.66</b>	₱0.35

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the financial reporting period and the date of authorization of the parent company financial statements.

## 16. Costs

Cost of services is distributed as follows:

	2021	2020
Personnel costs (see Note 18)	<b>₱221,668,010</b>	₱213,708,922
FBT	<b>578,760</b>	541,933
Others	<b>591,769</b>	-
	<b>₱222,838,539</b>	₱214,250,855

Cost of power generation is distributed as follows:

	2021	2020
Depreciation and amortization (see Note 19)	<b>₱55,875,559</b>	₱57,177,932
Overhead	<b>14,362,204</b>	17,917,649
Personnel costs (see Note 18)	<b>11,775,496</b>	12,208,955
Material and supplies	<b>9,288,790</b>	3,239,084
Outside services	<b>7,312,428</b>	7,035,283
Fuel, oil and lubricants	<b>5,199,910</b>	3,853,041
	<b>₱103,814,387</b>	₱101,431,944



## 17. General and Administrative

	2021	2020
Personnel costs (see Note 18)	<b>₱115,714,836</b>	₱140,294,360
Depreciation and amortization (see Notes 19 and 24)	<b>31,307,107</b>	26,457,087
Professional and consultancy fees	<b>25,521,352</b>	21,062,901
Outside services	<b>22,177,633</b>	12,466,005
Publicity and promotions	<b>18,679,476</b>	14,448,968
Taxes and licenses	<b>15,951,367</b>	18,232,686
Transportation and travel	<b>14,278,333</b>	13,473,452
Dues and subscriptions	<b>11,006,319</b>	9,742,709
Insurance	<b>7,561,700</b>	7,251,139
Supplies	<b>6,194,963</b>	5,972,171
Rent expense	<b>5,734,256</b>	5,307,089
Communication, light and water	<b>5,655,967</b>	3,610,477
Entertainment, amusement and recreation	<b>3,242,686</b>	6,082,972
Repairs and maintenance	<b>1,665,322</b>	1,426,765
Trainings and seminars	<b>1,208,292</b>	703,244
Donations	-	2,700,000
Others	<b>5,752,081</b>	8,700,256
	<b>₱291,651,690</b>	₱297,932,281

## 18. Personnel Costs

	2021	2020
Salaries, wages and employee benefits	<b>₱307,646,390</b>	₱294,192,087
Cost of share-based payment plan (see Notes 14 and 23)	<b>29,169,131</b>	63,077,732
Pension costs (see Note 25)	<b>12,342,821</b>	8,942,418
	<b>₱349,158,342</b>	₱366,212,237

The above is distributed as follows:

	2021	2020
Cost of (see Note 16):		
Services	<b>₱221,668,010</b>	₱213,708,922
Power generation	<b>11,775,496</b>	12,208,955
General and administrative (see Note 17)	<b>115,714,836</b>	140,294,360
	<b>₱349,158,342</b>	₱366,212,237



## 19. Depreciation and Amortization

	2021	2020
Property and equipment (see Note 9)	₱79,767,941	₱81,464,714
Computer software under “Other noncurrent assets” (see Note 11)	7,414,725	2,170,305
	<b>₱87,182,666</b>	<b>₱83,635,019</b>

Depreciation and amortization are distributed as follows:

	2021	2020
Cost of power generation (see Note 16)	₱55,875,559	₱57,177,932
General and administrative (see Note 17)	31,307,107	26,457,087
	<b>₱87,182,666</b>	<b>₱83,635,019</b>

## 20. Finance Income

	2021	2020
Interest income from:		
Loan and notes receivables (see Notes 23 and 29)	₱119,228,793	₱91,889,494
Financial assets at (see Note 7):		
FVOCI	93,056,078	100,540,234
FVTPL	16,570,344	11,914,165
Amortized cost	5,649,050	11,958,250
Cash and cash equivalents (see Note 4)	7,457,903	43,081,824
Long-term negotiable instruments (see Note 11)	1,390,000	1,390,000
Guarantee fee income (see Notes 23 and 29)	7,604,167	7,625,000
	<b>₱250,956,335</b>	<b>₱268,398,967</b>

## 21. Finance Expense

	2021	2020
Guarantee service fee (see Notes 23 and 29)	₱36,392,580	₱47,013,431
Accretion of interest on lease liability (see Note 24)	2,109,221	3,216,708
Interest expense on pension - net (see Note 25)	1,213,966	924,866
	<b>₱39,715,767</b>	<b>₱51,155,005</b>



22. Other Charges (Income) - net

	2021	2020
Foreign exchange losses (gains) - net:		
Realized foreign exchange losses (gains) - net of ₱20.3 million loss in 2021 and ₱6.1 million gain in 2020	<b>(₱173,234,389)</b>	₱94,892,180
Unrealized foreign exchange losses (gains) on:		
Financial assets at (see Note 7):		
FVTPL	<b>(94,282,100)</b>	10,909,306
FVOCI	-	7,542,946
Loan and notes receivable	<b>(23,867,520)</b>	23,040,994
Cash and cash equivalents	<b>(16,056,733)</b>	108,162,694
Trade and other receivables	<b>(7,298,890)</b>	1,995,711
Trade and other payables	<b>114,945</b>	(63,828)
	<b>(141,390,298)</b>	151,587,823
Loss (gain) on:		
Changes in fair value of financial assets at		
FVTPL (see Note 7)	<b>(43,227,425)</b>	(93,095,803)
Sale of financial assets at FVOCI (see Note 7)	<b>28,262,293</b>	(47,156,705)
Scrap	<b>(66,457)</b>	-
Trust fee	<b>27,150,660</b>	11,089,153
Others	<b>8,769,861</b>	575,794
	<b>(₱293,735,755)</b>	₱117,892,442

The changes in fair value of financial assets amounted to a gain of ₱43.2 million and ₱93.1 million in 2021 and 2020, of which ₱178.5 million loss and ₱191.7 million gain, respectively, pertains to unrealized fair value changes of shares of stock, mutual funds and debt securities; and the ₱153.5 million gain in 2021 and ₱68.4 million loss in 2020 pertains to unrealized fair value changes on debt and equity instruments for which the Company recognized a net deferred income tax liability of ₱38.4 million and a net deferred income tax asset of ₱20.5 million as at December 31, 2021 and 2020, respectively (see Note 26).

23. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Set out on the next page are the Company's transactions with related parties in 2021 and 2020, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2021 and 2020.



Category	Amount		Trade and other receivables/Loan and notes receivable (see Note 5)		Trade and other payables (see Note 12)		Amounts owed by related parties (see Note 5)		Advances and deposits (see Notes 8 and 11)		Terms	Conditions	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020			
<i>Subsidiaries</i>													
<b>TMC</b>													
Management income (see Note 29)	<b>₱67,500,000</b>	₱67,500,000	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Marketing income (see Note 29)	<b>342,446,056</b>	265,023,770	<b>47,582,033</b>	57,026,753	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividend income (see Note 10)	<b>4,225,000,000</b>	2,210,000,000	<b>2,925,000,000</b>	780,000,000	-	-	-	-	-	-	-	Collectible on agreed pay out date; noninterest-bearing	Unsecured; no guarantee
Short-term advances	<b>6,096,327</b>	3,094,252	-	-	-	-	<b>361,946</b>	689,518	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>CMC</b>													
Management income (see Note 29)	<b>22,500,000</b>	22,500,000	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Marketing income (see Note 29)	<b>174,709,618</b>	170,226,961	<b>32,951,744</b>	27,281,679	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividend income (see Note 10)	<b>1,900,000,000</b>	1,100,000,000	<b>200,000,000</b>	-	-	-	-	-	-	-	-	Collectible on agreed pay out date; noninterest-bearing	Unsecured; no guarantee
Short-term advances	<b>7,437,383</b>	3,877,157	-	-	-	2,232	<b>816,454</b>	673,139	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)





Category	Amount		Trade and other receivables/Loan and notes receivable (see Note 5)		Trade and other payables (see Note 12)		Amounts owed by related parties (see Note 5)		Advances and deposits (see Notes 8 and 11)		Terms	Conditions	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020			
<i>Subsidiaries</i>													
<b>HMC</b>													
Management income (see Note 29)	<b>₱15,000,000</b>	₱15,000,000	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Marketing income (see Note 29)	<b>93,765,993</b>	69,691,816	<b>13,622,062</b>	6,857,643	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividend income (see Note 10)	<b>800,000,000</b>	350,000,000	<b>300,000,000</b>	350,000,000	-	-	-	-	-	-	-	Collectible on agreed pay out date; noninterest-bearing	Unsecured; no guarantee
Loans facility (see Note 29)	-	100,000,000	-	-	-	-	-	-	-	-	-	Collectible on maturity; interest-bearing at 5.00% p.a.	Unsecured; no guarantee
Interest income on loans (see Notes 20 and 29)	-	1,445,205	-	-	-	-	-	-	-	-	-	Collectible on maturity; noninterest-bearing	Unsecured; no guarantee
Short-term advances	<b>4,284,785</b>	5,852,208	-	-	-	-	<b>1,105,989</b>	385,622	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>RTN</b>													
Management income (see Note 29)	<b>45,000,000</b>	45,000,000	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Marketing income (see Note 29)	<b>191,526,915</b>	134,480,884	<b>50,748,314</b>	44,565,633	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)



Category	Amount		Trade and other receivables/Loan and notes receivable (see Note 5)		Trade and other payables (see Note 12)		Amounts owed by related parties (see Note 5)		Advances and deposits (see Notes 8 and 11)		Terms	Conditions
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<i>Subsidiaries</i>												
<b>RTN</b>												
Dividend income (see Note 10)	<b>₱1,080,000,000</b>	₱768,000,000	<b>₱600,000,000</b>	₱420,000,000	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Collectible on agreed pay out date; noninterest-bearing	Unsecured; no guarantee
Short-term advances	<b>6,679,379</b>	3,231,167	-	-	-	-	<b>1,023,477</b>	781,086	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>CPDL</b>												
Loans facility (see Note 29)	-	-	<b>429,411,580</b>	443,732,520	-	-	-	-	-	-	Collectible within twelve (12) years; interest-bearing at 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 1% spread	Unsecured; no guarantee
Interest income on loans (see Notes 20 and 29)	<b>5,328,620</b>	6,191,789	<b>493,037</b>	248,023	-	-	-	-	-	-	Collectible on or before the fifteenth (15th) of June and December each year	Unsecured; no guarantee
Short-term advances	<b>374,677</b>	1,624,651	-	-	-	-	<b>25,640,782</b>	24,845,781	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>MGPC</b>												
Short-term advances	<b>8,595</b>	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
(Forward)												



Category	Amount		Trade and other receivables/Loan and notes receivable (see Note 5)		Trade and other payables (see Note 12)		Amounts owed by related parties (see Note 5)		Advances and deposits (see Notes 8 and 11)		Terms	Conditions
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<b>Subsidiaries</b>												
<b>CDTN</b>												
Short-term advances	<b>₱526,046</b>	₱203,290	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱27,227</b>	₱203,290	<b>₱-</b>	<b>₱-</b>	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>JSI</b>												
Loans facility (see Note 29)	<b>974,500,000</b>	894,000,000	<b>1,868,500,000</b>	894,000,000	-	-	-	-	-	-	Collectible on or before the end of the year after drawdown; interest-bearing at 5.00% p.a.	Unsecured; no guarantee
Interest income on loans (see Notes 20 and 29)	<b>60,617,639</b>	23,497,778	<b>5,335,833</b>	2,380,472	-	-	-	-	-	-	Collectible quarterly following the loan drawdown	Unsecured; no guarantee
Short-term advances	<b>135,359</b>	47,218	-	-	-	-	-	6,442	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>EPI</b>												
Loans facility (see Note 29)	<b>209,000,000</b>	287,000,000	<b>971,151,500</b>	1,334,000,000	-	-	-	-	-	-	Collectible on or before the end of third (3rd) year after drawdown; interest-bearing at 5.00% p.a.	Unsecured; no guarantee
Interest income on loans (see Notes 20 and 29)	<b>53,282,534</b>	60,754,722	<b>10,260,589</b>	12,289,347	-	-	-	-	-	-	Collectible every sixth (6th) and twelfth (12th) month of each year following the loan drawdown	Unsecured; no guarantee

(Forward)



Category	Amount		Trade and other receivables/Loan and notes receivable (see Note 5)		Trade and other payables (see Note 12)		Amounts owed by related parties (see Note 5)		Advances and deposits (see Notes 8 and 11)		Terms	Conditions
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<i>Subsidiaries</i>												
<b>EPI</b>												
Guarantee fee income (see Notes 20 and 29)	<b>₱7,604,167</b>	₱7,625,000	<b>₱3,104,167</b>	₱3,042,083	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Every fifth (5th) of February and August; noninterest-bearing	Unsecured
Short-term advances	<b>70,380</b>	334,508	-	-	-	-	<b>10,084</b>	16,765	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<i>Stockholders</i>												
<b>Sumitomo Metal Mining Co., Ltd. (SMM)</b>												
Guarantee service fee (see Notes 21 and 29)	<b>36,392,580</b>	47,013,431	-	-	<b>10,547,366</b>	10,896,488	-	-	-	-	Every twenty first (21st) of February, March, August and September	Unsecured
<i>Associate</i>												
<b>CBNC</b>												
Dividend income (see Note 10)	<b>249,820,000</b>	-	<b>254,995,000</b>	-	-	-	-	-	-	-	Collectible on agreed pay out date; noninterest-bearing	Unsecured; no guarantee
<i>With Common Stockholders</i>												
<b>Manta</b>												
Rent, dues and utilities	<b>21,281,569</b>	19,712,258	-	-	<b>540,718</b>	46,299	-	-	-	-	Payable on demand; noninterest-bearing	Unsecured; no guarantee

(Forward)



Category	Amount		Trade and other receivables/Loan and notes receivable (see Note 5)		Trade and other payables (see Note 12)		Amounts owed by related parties (see Note 5)		Advances and deposits (see Notes 8 and 11)		Terms	Conditions
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
<i>With Common Stockholders</i>												
<b>Manta</b>												
Rent deposits	<b>₱16,823</b>	₱50,952	₱-	₱-	₱-	₱-	₱-	₱-	<b>₱4,678,336</b>	₱4,661,513	To be applied to unpaid rent, dues, utilities or damages to the lessor or to be refunded at the end of the lease term; noninterest-bearing	Unsecured; no guarantee
Short-term advances	<b>11,591</b>	-	-	-	-	-	<b>1,656</b>	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>Totals</b>		<b>₱7,713,155,859</b>	<b>₱4,375,424,153</b>		<b>₱11,088,084</b>	₱10,945,019	<b>₱28,987,615</b>	₱27,601,643	<b>₱4,678,336</b>	₱4,661,513		



Compensation of Key Management Personnel

The Company considered as key management personnel all employees holding managerial positions up to the chairman. The compensation of key management personnel are as follows:

	2021	2020
Short-term benefits	<b>₱241,985,934</b>	₱238,985,138
Cost of share-based payment (see Notes 14 and 18)	<b>29,169,131</b>	63,077,732
Post-employment benefits	<b>10,520,935</b>	7,540,767
	<b>₱281,676,000</b>	₱309,603,637

**24. Leases**

On March 18, 2013, the Company entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. The lease agreement expired in May 2018 and was renewed for another period of five (5) years.

The Company also has certain leases of properties with lease terms of twelve (12) months or less and leases of equipment with low value. The Company applies the short-term lease and lease of low value assets recognition exemptions for these leases.

The lease liability, discounted using incremental borrowing rate are as follows:

	2021	2020
Lease liability	<b>₱19,515,489</b>	₱34,436,368
Less noncurrent portion	<b>2,296,311</b>	19,519,392
Current portion	<b>₱17,219,178</b>	₱14,916,976

The following are the amounts recognized in the parent company statements of income:

	2021	2020
Amortization of ROU asset included in property and equipment (see Note 9)	<b>₱14,385,932</b>	₱14,385,932
Accretion of interest on lease liability (see Note 21)	<b>2,109,221</b>	3,216,708
Expenses relating to short-term leases	<b>5,758,439</b>	5,132,014
Expenses relating to leases of low-value assets	<b>289,348</b>	508,242
	<b>₱22,542,940</b>	₱23,242,896

The rollforward analysis of lease liability are as follows:

	2021	2020
Balances at January 1	<b>₱34,436,368</b>	₱47,287,001
Accretion of interest (see Note 21)	<b>2,109,221</b>	3,216,708
Payments	<b>(17,030,100)</b>	(16,067,341)
Balances as at December 31	<b>₱19,515,489</b>	₱34,436,368



Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
One (1) year	₱18,050,443	₱17,028,725
More than one (1) year to two (2) years	2,307,692	18,050,443
More than two (2) years to three (3) years	–	2,309,067
<b>Total</b>	<b>₱20,358,135</b>	<b>₱37,388,235</b>

## 25. Pension Liability

The Company has a funded noncontributory defined benefit pension plan covering all of its regular employees.

Under the existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net pension cost recognized in the parent company statements of income and the liabilities recognized in the parent company statements of financial position based on the 2021 Actuarial Valuation Report.

Changes in net defined benefit liability and fair value of plan assets in 2021 and 2020 are as follows:

	2021		
	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability
<b>Balances at January 1</b>	<b>₱90,467,679</b>	<b>(₱46,261,430)</b>	<b>₱44,206,249</b>
<b>Current service cost</b> (see Note 18)	<b>12,342,821</b>	–	<b>12,342,821</b>
<b>Interest expense (income) on pension</b> (see Note 21)	<b>3,419,678</b>	<b>(2,205,712)</b>	<b>1,213,966</b>
<b>Pension cost charged to profit or loss</b>	<b>15,762,499</b>	<b>(2,205,712)</b>	<b>13,556,787</b>
<b>Benefits paid</b>	<b>(2,733,115)</b>	<b>2,733,115</b>	–
<b>Actuarial changes arising from:</b>			
<b>Changes in financial assumptions</b>	<b>(11,357,726)</b>	–	<b>(11,357,726)</b>
<b>Experience adjustments</b>	<b>6,913,596</b>	–	<b>6,913,596</b>
<b>Changes in demographic assumptions</b>	<b>294,278</b>	–	<b>294,278</b>
<b>Return on plan assets</b>	–	<b>830,490</b>	<b>830,490</b>
<b>Remeasurement loss (gain) charged to other comprehensive income</b>	<b>(4,149,852)</b>	<b>830,490</b>	<b>(3,319,362)</b>
<b>Contributions</b>	–	<b>(26,914,584)</b>	<b>(26,914,584)</b>
<b>Balances at December 31</b>	<b>₱99,347,211</b>	<b>(₱71,818,121)</b>	<b>₱27,529,090</b>



	2020		
	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability
Balances at January 1	₱60,879,782	(₱42,363,455)	₱18,516,327
Current service cost (see Note 18)	8,942,418	–	8,942,418
Interest expense (income) on pension (see Note 21)	3,372,740	(2,447,874)	924,866
Pension cost charged to profit or loss	12,315,158	(2,447,874)	9,867,284
Benefits paid	(14,447,566)	14,447,566	–
Actuarial changes arising from:			
Changes in financial assumptions	13,057,513	–	13,057,513
Experience adjustments	16,605,150	–	16,605,150
Changes in demographic assumptions	2,057,642	–	2,057,642
Return on plan assets	–	2,193,903	2,193,903
Remeasurement loss charged to other comprehensive income	31,720,305	2,193,903	33,914,208
Contributions	–	(18,091,570)	(18,091,570)
Balances at December 31	₱90,467,679	(₱46,261,430)	₱44,206,249

Current service costs recognized in the parent company statements of income were presented as part of “Personnel costs” under “Cost of services” and “General and administrative expenses” (see Note 18).

The main categories of plan assets as a percentage of the fair value of total plan assets follow:

	2021	2020
Fixed income securities	<b>59.51%</b>	66.14%
Investments in shares of stocks	<b>30.47%</b>	32.04%
Others	<b>10.02%</b>	1.82%
	<b>100.00%</b>	100.00%

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining pension liability for the defined benefits pension plan are shown below:

	2021	2020
Discount rate	<b>5.03%</b>	3.78%
Expected salary increase rate	<b>5.00%</b>	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table-Generational developed by the Society of Actuaries, which provides separate rates for male and females.





The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the net defined pension liability as at the end of the financial reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	Increase (decrease) in unfunded pension liability	
		2021	2020
Discount rates	-100 basis points	<b>₱8,912,452</b>	₱9,176,804
	+100 basis points	<b>(7,703,985)</b>	(7,843,454)
Salary increase rates	+100 basis points	<b>8,824,699</b>	8,969,083
	-100 basis points	<b>(7,774,950)</b>	(7,828,099)

The Company expects to contribute at least ₱26.9 million to the defined benefit pension plan in 2022.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	2020
Within the next twelve (12) months	<b>₱26,422,966</b>	₱17,429,943
Between two (2) and five (5) years	<b>35,401,305</b>	26,973,801
Between six (6) and ten (10) years	<b>29,139,426</b>	25,843,780
Total expected payments	<b>₱90,963,697</b>	₱70,247,524

The weighted average duration of the pension liability as at December 31, 2021 and 2020 is 8.4 years and 9.4 years, respectively.

## 26. Income Taxes

In 2021 and 2020, the Company's provision for current income tax represents regular corporate income tax (RCIT).

The reconciliation between the provision for (benefit from) income tax computed at the statutory income tax rate and the provision for (benefit from) income tax computed at the effective income tax rate as shown in the parent company statements of income follows:

	2021	2020
Income tax at statutory rate	<b>₱2,319,281,616</b>	₱1,465,587,997
Add (deduct) tax effects of:		
Dividend income exempt from income tax	<b>(2,064,989,006)</b>	(1,330,072,151)
Loss (income) subjected to other taxes	<b>42,094,254</b>	(51,470,551)
Interest income subjected to final tax	<b>(17,533,976)</b>	(42,760,516)
Effect of change in tax rate	<b>10,917,039</b>	—
Nondeductible expenses	<b>10,909,119</b>	16,109,981
	<b>₱300,679,046</b>	₱57,394,760



On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law as RA No. 11534. The CREATE Act introduces reforms to the corporate income tax and incentives system and became effective on April 11, 2021. Among the relevant provisions of the CREATE Act which have an impact to the Company are as follows:

- Effective July 1, 2020, the RCIT rate for domestic corporations is reduced depending on its total assets and taxable income as follows:

<i>Total Assets</i>	<i>Net Taxable Income</i>	<i>Tax Rate</i>
₱100.0 million and below	₱5.0 million and below	20%
All other domestic corporations		25%

- Amendment of the rate of income tax on non-resident foreign corporations from 30% to 25% on gross income sourced from the Philippines effective January 1, 2021
- Amendment of the rate of income tax on resident foreign corporations from 30% to 25% on taxable income sourced from the Philippines effective July 1, 2020

The approval of CREATE, however, is considered a non-adjusting event for financial reporting purposes as at and for the year ended December 31, 2020. The income tax rate used in preparing the parent company financial statements as at and for the year ended December 31, 2020 is 30%.

The effect of the reduction of income tax rates was recognized in 2021. Details are as follows:

Provision for current income tax in 2021	₱176,514,029
Effect of change in income tax rate	(14,331,515)
Provision for current income tax as presented in the parent company statements of income	₱162,182,514

The impact on the December 31, 2020 balances had the CREATE Act been substantively enacted as of then, that were adjusted in 2021, are as follows:

	Increase (decrease)
<i>Statement of Financial Position</i>	
Income tax payable	(₱14,313,515)
Deferred income tax asset - net	(27,560,662)
Net valuation gains on financial assets at FVOCI	(40,504)
<i>Statement of Income</i>	
Provision for current income tax	(14,331,515)
Provision for deferred income tax	25,248,555
<i>Statement of Comprehensive Income</i>	
Remeasurement loss on pension liability	2,271,603
Net valuation loss on financial assets at FVOCI	40,504



The components of the Company's net deferred income tax assets at 25% and 30% as at December 31, 2021 and 2020, respectively follows:

	2021	2020
Deferred income tax assets:		
<i>Recognized directly in parent company statements of income:</i>		
Cost of share-based payment plan	₱72,873,733	₱78,697,740
Unamortized past service cost	11,175,484	10,795,311
Amortization of ROU asset	10,752,803	8,587,584
Interest expense on pension - net	3,524,069	3,864,692
Accretion of interest on lease liability	2,359,908	2,199,123
Unrealized foreign exchange losses - net	-	40,430,454
Net loss on changes in fair value of financial assets at FVTPL	-	20,507,031
<i>Recognized in other comprehensive income:</i>		
Remeasurement loss on pension liability	10,528,175	13,629,619
Unrealized losses on valuation of financial assets at FVOCI	-	243,021
	<b>111,214,172</b>	<b>178,954,575</b>
Deferred income tax liabilities:		
<i>Recognized directly in parent company statements of income:</i>		
Net gain on changes in fair value of financial assets at FVTPL	38,378,509	-
Unrealized foreign exchange gains - net	30,086,720	-
Actual lease payment	12,055,996	9,358,166
Pension cost	7,169,971	4,232,437
	<b>87,691,196</b>	<b>13,590,603</b>
Deferred income tax assets - net	<b>₱23,522,976</b>	<b>₱165,363,972</b>

The Company did not avail of the optional standard deduction in 2021 and 2020.

## 27. Financial Risk Management Objectives and Policies and Capital Management

The Company's main financial instruments are cash and cash equivalents, and financial assets at FVTPL, at FVOCI, and at amortized cost. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Company. The Company has various other financial assets and liabilities, such as trade and other receivables, and trade and other payables, which arise directly from its operations; loans and notes receivable and long-term negotiable instruments which arise from its investment activities; and lease liability which arise from its financing activities.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized on the next page.

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk primarily from



its investing and operating activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The table below summarizes the Company's gross maximum exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2021	2020
Cash and cash equivalents (except cash on hand)	<b>₱1,809,360,261</b>	₱3,667,799,086
Trade and other receivables		
Trade	<b>191,356,272</b>	181,844,461
Dividend receivables	<b>4,280,250,557</b>	1,550,170,675
Current portion of loan receivable	<b>2,169,051,100</b>	929,897,459
Amounts owed by related parties	<b>28,987,615</b>	27,601,643
Interest receivable	<b>21,910,364</b>	36,025,981
Guarantee fee receivable	<b>3,104,167</b>	3,042,083
Other receivables	<b>5,959,353</b>	5,943,100
Financial assets at:		
FVOCI	<b>1,122,283,516</b>	2,548,759,826
Amortized cost	<b>110,000,000</b>	210,000,000
Loan and notes receivable - net of current portion	<b>1,100,011,980</b>	1,741,835,061
Other noncurrent assets		
Long-term negotiable instruments	<b>40,000,000</b>	40,000,000
<b>Total credit risk exposure</b>	<b>₱10,882,275,185</b>	₱10,942,919,375

*Cash and Cash Equivalents (except Cash on Hand), Financial Assets at FVOCI and at Amortized Cost, and Long-term Negotiable Instruments*

In determining the credit risk exposure, the Company has established probability of default rates based on available credit ratings published by Credit Rating Agencies. The credit ratings already consider forward-looking information. When a counterparty does not have published credit ratings, the Company benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics. While cash with banks and short-term cash investments are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

*Trade and Other Receivables and Loan and Notes Receivable*

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a twelve (12)-month expected loss allowance for all trade and other receivables, and loan and notes receivable. The ECL on trade and other receivables, and loan and notes receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the inflation rate of the countries in which it sells its goods and services to be the most relevant factors for its trade receivables, and accordingly adjusts the historical loss rates based on expected changes in these factors.



Below is the information about the credit risk exposure on the Company's trade and other receivables using a provision matrix:

	Current	Days past due				Total
		< 30 days	31-60 days	61-90 days	>191 days	
<b>December 31, 2021</b>						
ECL rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱6,474,316,188	₱-	₱191,356,272	₱34,946,968	₱3,274,278	₱6,703,893,706
ECL	₱-	₱-	₱-	₱-	₱3,274,278	₱3,274,278
<b>December 31, 2020</b>						
ECL rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱2,519,136,198	₱-	₱181,844,461	₱33,544,743	₱3,274,278	₱2,737,799,680
ECL	₱-	₱-	₱-	₱-	₱3,274,278	₱3,274,278

### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

Aside from yielding good returns, the Company ensures that investments have ample liquidity to finance operations and capital requirements. The Company considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Company's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts/obligations.

The tables below summarize the maturity profile of the Company's financial assets used to manage its liquidity risk as at December 31, 2021 and 2020.

2021	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More than Twelve (12) Months	Total
<b>Cash and cash equivalents</b>	<b>₱1,809,595,261</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,809,595,261</b>
Cash on hand and with banks	67,755,080	-	-	67,755,080
Cash under managed funds	729,571,647	-	-	729,571,647
Cash equivalents	1,012,268,534	-	-	1,012,268,534
<b>Trade and other receivables</b>	<b>4,949,508,222</b>	<b>1,751,111,206</b>	<b>-</b>	<b>6,700,619,428</b>
Trade	191,356,272	-	-	191,356,272
Dividend receivables	4,280,250,557	-	-	4,280,250,557
Current portion of loan and notes receivable	450,000,000	1,719,051,100	-	2,169,051,100
Amounts owed by related parties	3,346,833	25,640,782	-	28,987,615
Interest receivable	15,491,040	6,419,324	-	21,910,364
Guarantee fee receivable	3,104,167	-	-	3,104,167
Other receivables	5,959,353	-	-	5,959,353
<b>Financial assets at:</b>	<b>6,388,363,570</b>	<b>-</b>	<b>214,030,000</b>	<b>6,602,393,570</b>
FVTPL	5,266,080,054	-	104,030,000	5,370,110,054
FVOCI	1,122,283,516	-	-	1,122,283,516
Amortized cost	-	-	110,000,000	110,000,000
<b>Loan and notes receivable - net of current portion</b>	<b>-</b>	<b>-</b>	<b>1,100,011,980</b>	<b>1,100,011,980</b>
<b>Other noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>40,000,000</b>	<b>40,000,000</b>
Long-term negotiable instruments	-	-	40,000,000	40,000,000
	<b>₱13,147,467,053</b>	<b>₱1,751,111,206</b>	<b>₱1,354,041,980</b>	<b>₱16,252,620,239</b>



2020	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More than Twelve (12) Months	Total
Cash and cash equivalents	₱3,668,034,086	₱-	₱-	₱3,668,034,086
Cash on hand and with banks	227,466,599	-	-	227,466,599
Cash under managed funds	1,634,697,400	-	-	1,634,697,400
Cash equivalents	1,805,870,087	-	-	1,805,870,087
Trade and other receivables	1,773,698,540	960,826,862	-	2,734,525,402
Trade	181,844,461	-	-	181,844,461
Dividend receivables	1,250,170,675	300,000,000	-	1,550,170,675
Current portion of loan and notes receivable	300,000,000	629,897,459	-	929,897,459
Amounts owed by related parties	2,552,573	25,049,070	-	27,601,643
Interest receivable	30,145,648	5,880,333	-	36,025,981
Guarantee fee receivable	3,042,083	-	-	3,042,083
Other receivables	5,943,100	-	-	5,943,100
Financial assets at:	5,415,581,472	80,000,000	415,020,000	5,910,601,472
FVTPL	2,846,821,646	-	305,020,000	3,151,841,646
FVOCI	2,548,759,826	-	-	2,548,759,826
Amortized cost	20,000,000	80,000,000	110,000,000	210,000,000
Loan and notes receivable - net of current portion	-	-	1,741,835,061	1,741,835,061
Other noncurrent assets	-	-	40,000,000	40,000,000
Long-term negotiable instruments	-	-	40,000,000	40,000,000
	₱10,857,314,098	₱1,040,826,862	₱2,196,855,061	₱14,094,996,021

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

2021	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than Twelve (12) Months	Total
<b>Trade and other payables</b>				
Trade	₱10,096,090	₱-	₱-	₱10,096,090
Accrued expenses	12,631,900	494,967	-	13,126,867
Others	4,365,695	-	-	4,365,695
<b>Lease liability</b>				
Carrying amount	4,011,228	13,207,950	2,296,311	19,515,489
Unamortized discount	334,467	492,895	15,284	842,646
	₱31,439,380	₱14,195,812	₱2,311,595	₱47,946,787

2020	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than Twelve (12) Months	Total
<b>Trade and other payables</b>				
Trade	₱5,669,146	₱-	₱-	₱5,669,146
Accrued expenses	19,891,598	288,390	-	20,179,988
Others	2,723,853	-	-	2,723,853
<b>Lease liability</b>				
Carrying amount	3,463,006	11,453,970	19,519,392	34,436,368
Unamortized discount	637,844	1,471,377	842,646	2,951,867
	₱32,385,447	₱13,213,737	₱20,362,038	₱65,961,222



Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest prices, equity prices and other market changes.

*Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Company has transactional currency exposure. Such exposure arises from cash and cash equivalents, trade and other receivables, financial assets at FVTPL and at FVOCI, loan and notes receivable and trade and other payables in US\$. The exposure in US\$ is managed by monitoring the foreign exchange movement on a daily basis.

The Company did not seek to hedge the exposure on the change in foreign exchange rates between the US\$ and Philippine peso. The Company does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Company's foreign currency-denominated financial instruments as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	US\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
<b>Financial assets:</b>				
Cash and cash equivalents				
Cash with banks	\$80,948	₱4,128,282	\$1,115,747	₱53,581,534
Cash under managed funds	13,858,039	706,746,128	34,024,767	1,633,971,374
Cash equivalents	12,786,768	652,112,388	33,226,114	1,595,617,696
Trade and other receivables				
Dividend receivable	5,002,386	255,116,661	-	-
Current portion of loan and notes receivable	400,000	20,399,600	747,506	35,897,459
Amounts owed by related parties	354,207	18,064,215	363,487	17,455,757
Interest receivable	13,479	687,424	135,372	6,500,990
Other receivables	110,000	5,609,890	110,000	5,735,620
Financial assets at:				
FVTPL	92,268,885	4,705,620,871	47,762,593	2,293,703,001
FVOCI	-	-	4,162,915	199,915,667
Loan and notes receivable - net of current portion				
	8,020,000	409,011,980	8,492,494	407,835,061
	<b>132,894,712</b>	<b>6,777,497,439</b>	130,140,995	6,250,214,159
<b>Financial liabilities:</b>				
Trade and other payables	\$206,815	₱10,547,366	\$226,901	₱10,896,488
<b>Net financial assets</b>	<b>\$132,687,897</b>	<b>₱6,766,950,073</b>	\$129,914,094	₱6,239,317,671

The exchange rate used for conversion of US\$1.00 to peso equivalent was ₱51.00 and ₱48.02 as at December 31, 2021 and 2020, respectively.



The sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, in the Company's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2021 and 2020 are as follows:

	Peso Strengthens (Weakens)	Sensitivity to pretax income
<b>2021</b>	<b>₱0.30</b> <b>(0.65)</b>	<b>(₱39,806,369)</b> <b>86,247,133</b>
2020	₱0.40 (0.10)	(₱51,965,638) 12,991,409

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

#### *Interest Rate Risk*

The Company's exposure to the risk of changes in market interest rate relates to quoted fixed and floating debt instruments.

Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value risk. The Company regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, in the Company's equity as at December 31, 2021 and 2020 are as follows:

	Change in interest rates (in basis points)	Sensitivity to equity
<b>2021</b>	<b>+100</b> <b>-100</b>	<b>₱46,913,740</b> <b>(46,913,740)</b>
2020	+100 -100	₱45,850,347 (45,850,347)

The above analysis does not include the sensitivity of the interest-linked notes to movements in interest rate.

The impact on the Company's equity is caused by the changes in the market value of quoted debt due to interest rate movements. The impact of the movement of interest rate on the Company's floating rate debt is not significant.

#### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Company's exposure to equity price risk relates primarily to its financial assets on various stocks of listed companies.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.





The table below shows the sensitivity to a reasonably possible change in equity prices of quoted equity instruments as at December 31, 2021 and 2020, except equity-linked investments. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
<b>2021</b>	<b>+18.54%</b>	<b>₱28,445,449</b>
	<b>-18.54%</b>	<b>(28,445,449)</b>
2020	+33.30%	₱45,707,106
	-33.30%	(45,707,106)

#### Capital Management

The Company considers equity as its capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or declare/adjust dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

The Company monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Company's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, lease liability and pension liability.

The Company considers the following as capital:

	2021	2020
Capital stock	<b>₱6,849,836,057</b>	₱6,849,836,057
Additional paid-in capital	<b>8,300,001,691</b>	8,300,001,691
Cost of share-based payment plan	<b>473,442,566</b>	441,589,208
Net valuation gains on financial assets at FVOCI	<b>3,362,309</b>	57,770,766
Retained earnings:		
Unappropriated	<b>17,309,248,172</b>	14,466,969,390
Appropriated	<b>135,000,000</b>	135,000,000
Treasury stock	<b>(134,014,558)</b>	(134,014,558)
	<b>₱32,936,876,237</b>	₱30,117,152,554

The table below shows the Company's debt-to-equity ratio as at December 31, 2021 and 2020.

	2021	2020
Total liabilities (a)	<b>₱137,755,567</b>	₱228,919,273
Equity (b)	<b>32,936,876,237</b>	30,117,152,554
Debt-to-equity ratio (a/b)	<b>0.004:1</b>	0.008:1

The Company is not exposed to externally imposed capital requirements.



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## 28. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

### *Cash and Cash Equivalents*

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature and maturity of these financial instruments.

### *Trade and Other Receivables and Trade and Other Payables*

Similarly, the carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

### *Financial Assets at FVTPL and at FVOCI*

The fair values were determined by reference to market bid quotes as at the end of the financial reporting period.

### *Financial Assets at Amortized Cost*

The carrying amount of financial assets at amortized cost, which is measured using the EIR, is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

### *Loan and Notes Receivable*

The carrying amount of loan and notes receivable, which is the transaction price, approximates its fair value.

### *Long-term Negotiable Instruments*

The carrying amount of long-term negotiable instruments approximate their fair values since interest are earned based on long-term cash investment rates.

### Fair Value Hierarchy of Financial Instruments

As at December 31, 2021 and 2020, the fair value of the quoted debt and equity securities is the quoted market price at the close of the business and all are categorized under Level 1.

As at December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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## 29. Significant Agreements and Other Matters

### Loan Agreements

#### HMC

On February 12, 2020, HMC entered into a short-term loan agreement with the Company for a principal amount not exceeding ₱200.0 million subject to 5.00% interest p.a. Out of the total principal loan, ₱100.0 million was drawn by HMC in 2020. The loan principal and interest were fully paid in 2020.

Interest income from loan and notes receivable from HMC amounted to nil and ₱1.4 million in 2021 and 2020, respectively (see Notes 20 and 23).



### JSI

On January 28, 2020, the Company granted a one (1) year loan facility to JSI amounting to ₱1,044.0 million to be used for the 30 megawatts (MW) Phase 3A expansion of its solar power plant. The loan bears an interest of 5.00% p.a. which is payable quarterly following the date of the corresponding drawdown until the full payment of the loan principal.

On March 11, 2021, the Company and JSI amended the maturity date of the promissory notes issued by the latter which are part of the loan facility granted by the Company in 2020. The maturity dates of the promissory notes issued on February 27, 2020 and June 25, 2020 amounting to ₱300.0 million and ₱260.0 million, respectively, are extended from February 26, 2021 to March 10, 2022, and from June 24, 2021 to June 23, 2022, respectively.

On September 14, 2021, the Company and JSI amended the maturity date of the additional promissory notes issued by the latter which are part of the loan facility granted by the Company in 2020. The maturity dates of the promissory notes issued on September 15, 2020 and November 14, 2020 amounting to ₱220.0 million and ₱114.0 million, respectively, are extended from September 14, 2021 to September 14, 2022, and from November 24, 2021 to November 24, 2022, respectively.

All other terms and conditions of the original loan agreement remain unchanged. JSI's total drawdown related to the ₱1,044.0 million loan facility amounted to ₱150.0 million and ₱894.0 million in 2021 and 2020, respectively (see Note 23).

On May 21, 2021, JSI entered into another loan agreement with the Company for a principal amount not exceeding ₱53.5 million to be used for JSI's expenses relating to loans from various banks and for the development costs of the additional 100MW of its solar power plant. The loan bears an interest of 5.00% interest p.a. which is payable quarterly following the date of the corresponding drawdown until full payment of the loan principal. The full amount was drawn by JSI in 2021.

On September 23, 2021, the Company, EPI, JSI and TBEA signed a Supplemental Agreement on Shareholder Advances. Under the terms of the Agreement, the Company and on behalf of EPI, grants JSI a loan facility amounting to US\$26.3 million to finance JSI's development of Phase 3B - 38MW Solar Project subject to 5.00% interest p.a. The loan principal and interest are payable within one (1) year from the date of remittance to JSI. As at December 31, 2021, JSI's total drawdown amounted to a total of ₱771.0 million (see Note 23).

Interest income from loan and notes receivable from JSI amounted to ₱60.6 million and ₱23.5 million in 2021 and 2020, respectively (see Notes 20 and 23).

### EPI

On March 4, 2019, the Company agreed to provide a loan facility to EPI for a principal amount not exceeding ₱1,000.0 million, in addition to the loan facility provided by the Company in September 2017 with a principal amount of ₱450.0 million. Out of the ₱1,000.0 million loan facility, a total of ₱884.0 million was drawn in 2019 and 2020. Both loans bear an interest of 5.00% p.a. which is payable semi-annually following the date of the corresponding drawdown. The loan principals are payable on or before the end of third (3rd) year after drawdown.

On November 6, 2020, the BOD approved the renewal of the ₱450.0 million loan under the same terms and conditions set forth in the September 2017 agreement. The proceeds of the loan will be used exclusively for the repayment of the original loan.



On March 29, 2021, EPI entered into another loan agreement with the Company for a principal amount not exceeding ₱209.0 million subject to 5.00% interest p.a. payable semi-annually following the date of the corresponding drawdown until full payment of the loan principal (see Note 23).

On March 29, 2021, EPI partially paid its outstanding loan to the Company amounting to ₱500.0 million by way of dation in payment of EPI's right and interest equivalent to 38% of JSI's shares of stock. The debt-to-equity swap resulted in the reduction of EPI's outstanding liability to the Company to ₱834.0 million.

On December 3, 2021, EPI partially paid its outstanding loan to the Company amounting to ₱71.8 million.

Interest income from loan and notes receivable from EPI amounted to ₱53.3 million and ₱60.8 million in 2021 and 2020, respectively (see Notes 20 and 23).

#### CPDL

In December 2019, the Company granted a loan facility to CPDL amounting to US\$9.3 million (equivalent to ₱479.2 million) at a prevailing one hundred eighty (180)-day LIBOR plus 1.00% spread, to be used for the acquisition of an aircraft and expenses relating thereto. The loan shall be drawn in several installments on or before December 31, 2019. The interest on the loans is payable semi-annually, on or before June 15 and December 15 of each year. The loan is payable within twelve (12) years and the principal is payable in installments throughout the term of the loan with required minimum annual principal repayment on or before each anniversary date of US\$0.4 million.

The outstanding loan principal amounted to US\$8.4 million (equivalent to ₱429.4 million) and US\$9.2 million (equivalent to ₱443.7 million) as at December 31, 2021 and 2020, respectively.

In 2021 and 2020, interest income from loan and notes receivable from CPDL amounted to US\$0.1 million (equivalent to ₱5.3 million and ₱6.2 million, respectively; see Notes 20 and 23).

#### Deed of Assignments

##### EPI

In July 2016, the Company agreed to provide a loan facility amounting to ₱1,500.0 million for EPI's overhead costs and development of its solar and various projects.

On December 22, 2017, the Company and EPI entered into a Deed of Assignment of Advances wherein the Company offered to subscribe to additional shares of EPI equivalent to 1,190,476,190 common shares, subject to the SEC's approval of the increase in authorized capital stock of EPI, and in consideration, the Company shall assign to EPI its outstanding loan receivable of ₱1,500.0 million (see Note 11).

#### Block Charter Agreement with World Aviation Corporation (WAC)

On September 19, 2019, the Company and WAC entered into an agreement wherein WAC will provide the Company air services on a block charter basis for a guaranteed time equivalent to a minimum of thirty-three (33) hours and twenty (20) minutes (guaranteed flying hours). In consideration of the services to be provided by WAC, the Company shall pay US\$4,500 per flight hour, subject to adjustment based on the movement in the average fuel price at the end of each calendar quarter. The agreement is effective until the full utilization of the guaranteed flying hours or December 31, 2019, whichever comes later.



Upon signing of the agreement, the Company made an advance payment of US\$150,000 (equivalent to ₱7.8 million) to WAC. And as agreed, if the Company is unable to or will not avail of the services covered within the guaranteed time, WAC may, with prior written consent of the Company, provide the service to a third party for a specified period and at a price at least equivalent to the charter price and with WAC or third party bearing the costs. In such case, WAC shall deduct from the advance payment the total consideration of the third-party charter and remit the refund to the Company. As at December 31, 2021, WAC remitted US\$40,000 (equivalent to ₱2.1 million) to the Company. The remaining balance of the advance payment of US\$110,000 (equivalent to ₱5.6 million) is recognized in “Trade and other receivables” (see Note 5).

#### PSA with SURNECO

On October 31, 2013, the Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Company has agreed to construct, operate, and maintain a 10MW bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO. As defined in the PSA, SURNECO will pay to the Company a monthly fee equal to the capital recovery fee of the power station plus fixed and variable operations and maintenance fee, fuel cost and any other applicable taxes.

The total construction cost of the 10MW bunker-fired diesel power station is about ₱1,000.0 million.

The ERC issued the Certificate of Compliance to the Company on June 26, 2019. The Company and SURNECO agreed to commence the commercial operations of the three (3) generating units starting on June 26, 2018 for the first generator set, December 26, 2018 for the second generator set and June 26, 2019 for the third generator set. Each generating unit has a contracted capacity of 3.33MW. The plant operates based on the agreed schedule and in consonance with the load nominations from SURNECO.

Currently, the power plant is ready to dispatch power at 10MW in accordance with the signed and approved PSA.

Revenue from sale of power and capital recovery fee amounted to ₱32.2 million and ₱134.3 million, respectively, in 2021 and ₱29.7 million and ₱134.3 million, respectively, in 2020.

#### Management Agreement

On January 19, 2020, the Company entered into a management contract with its subsidiaries (CMC, HMC, RTN and TMC) covering a period of one (1) year, from January 1 to December 31, 2020 to manage the business affairs of the latter. The agreement supersedes any other agreements previously executed by the parties. The new contract provides that the monthly management fee shall be ₱1.9 million for CMC, ₱1.3 million for HMC, ₱3.8 million for RTN and ₱5.6 million for TMC.

On December 21, 2021, the management contract executed by the Company with its subsidiaries (CMC, HMC, RTN and TMC) was renewed for a period of one (1) year. The renewal contract is valid and effective from January 1 to December 31, 2021. The renewal contract provides that the monthly management fee shall be ₱1.9 million for CMC, ₱1.3 million for HMC, ₱3.8 million for RTN and ₱5.6 million for TMC.

In 2021 and 2020, the Company charged its subsidiaries (CMC, HMC, RTN and TMC) a management fee amounting to ₱22.5 million for CMC, ₱15.0 million for HMC, ₱45.0 million for RTN, and ₱67.5 million for TMC, respectively.

Management income amounted to ₱150.0 million in 2021 and 2020 (see Note 23).



Marketing Agreement

On February 5, 2013, the Company entered into a marketing agreement with its subsidiaries (CMC, HMC, RTN and TMC) wherein the Company shall provide the services set forth below:

- a) To use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
- b) To periodically report market information defined in (a);
- c) To make efforts to introduce customers to subsidiaries and provide support to subsidiaries in negotiating the price and terms and conditions of sales contracts of the products by and between subsidiaries and customers; and
- d) To monitor and assess trends of customers and support subsidiaries to create an effective pricing strategy and marketing plan.

The agreement shall retroact on January 1, 2013 and shall continue in effect for a period of one (1) year and may be extended for additional period of one (1) year each upon mutual agreement of the parties.

Marketing fee of 3.5% shall be charged to subsidiaries based on the total amount in US\$ of the free-on-board price stated in the invoices issued by the subsidiaries to their customers.

In 2021 and 2020, the Company charged its subsidiaries (CMC, HMC, RTN and TMC) a marketing fee amounting to ₱174.7 million and ₱170.2 million for CMC, ₱93.8 million and ₱69.7 million for HMC, ₱191.5 million and ₱134.5 million for RTN, and ₱342.4 million and ₱265.0 million for TMC, respectively.

In 2021 and 2020, marketing income amounted to ₱802.4 million and ₱639.4 million, respectively (see Note 23).

Suretyship Agreement with Security Bank Corporation (SBC)

On August 4, 2015, the Company entered into a Suretyship Agreement with SBC to guarantee and warrant the prompt and full payment and performance of the guaranteed obligations, including increases, renewals, roll-overs, extensions, restructuring, conversions, amendments or novations, of EPI to SBC amounting to ₱3,000.0 million. The agreement shall remain in full force and effect until full payment of the guaranteed obligations is made.

In September 2017, EPI partially repaid its loan to SBC reducing the principal from ₱3,000.0 million to ₱1,500.0 million.

On September 29, 2020, SBC approved the renewal of EPI's original loan facility to the extent of ₱1,500.0 million. On July 20, 2020 and September 10, 2020, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively. Proceeds of the loan were used by EPI to settle the promissory notes under the original SBC loan facility which matured in 2020.

At maturity date, EPI requested another approval from SBC for the renewal of their original loan facility to the extent of ₱1,500.0 million. On July 15, 2021 and September 3, 2021, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively, which was used to settle the promissory notes under the original SBC loan facility, which matured in 2021.

Memorandum of Agreement (MOA) with EPI

As consideration for the guarantee made by the Company under the Suretyship Agreement with SBC, a MOA was executed on January 21, 2016 between the Company and EPI wherein the latter agreed to



pay the Company an annual fee equal to 2.00% of the relevant outstanding amount, which is payable every February 5 and August 5 of each year until the loan is fully paid by EPI.

Effective October 1, 2017, the annual fee was reduced from 2.00% to 0.50% p.a.

The guarantee fee income amounted to ₱7.6 million in 2021 and 2020, respectively (see Notes 20 and 23).

Memorandum of Understanding (MOU)

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

Following the MOU is the Taganito HPAL Stockholders Agreement (the Agreement) entered into by the Company, SMM and Mitsui and Co., Ltd. (Mitsui), on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. Pursuant to the Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations.

The Agreement also sets forth the respective rights and obligations of the Company, SMM and Mitsui, including their responsibilities in respect of financing the US\$1,420.0 million, which further increased to US\$1,590.0 million, project investment undertaken by THNC. Also, under the Agreement, the Company, SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC.

The Agreement shall terminate upon the dissolution of THNC.

Share Purchase Agreement (SPA)

On September 15, 2016, the Company and SMM executed a SPA wherein the latter agreed to purchase the Company's 511,875,000 shares in THNC, representing 12.5% of the outstanding capital stock of THNC, at a purchase price of US\$42.0 million, which is equivalent to ₱2,037.2 million. The sale and purchase of the shares was consummated upon the written consent of Japan Bank for International Cooperation.

The SPA also provides that for a period of eighteen (18) years but no earlier than three (3) years from the execution of the SPA, the Company shall have the right to repurchase from SMM such number of shares of THNC equivalent to 12.5% equity ownership therein at the time when the right is exercised. The repurchase right can only be exercised once.



Loan Guarantee/Substitution Agreement

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Company and SMM, the latter agreed to substitute for the Company to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, the Company shall pay to SMM an annual fee equal to 1.00% of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

On January 26, 2015, December 18 and December 3, 2013, the Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreements made and entered by THNC and SMM on August 4, 2014, December 3 and January 31, 2013, respectively. The annual fee is also equal to 1.00% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

On October 8, 2020, the Company and SMM agreed to amend the loan guarantee/substitution agreement to reduce the annual fee to 0.60% of the average unpaid balance for payment's due every 21st of February, March, August and September of each year. However, in consideration of the MUFG Bank Ltd. (formerly known as The Bank of Tokyo - Mitsubishi UFJ, Ltd.) substitution, the annual fee is 1.00% for any payments due before September 21, 2020, which is the effective date of the amendment, and 0.60% for any payments due thereafter.

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

The loan guarantee service fee amounted to ₱36.4 million and ₱47.0 million in 2021 and 2020, respectively (see Notes 21 and 23).

Participation and Shareholders' Agreement

In May 2011, the Company and SMM signed a Participation and Shareholders' Agreement containing the terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest US\$1.5 million in CExCI for 25% equity. Once such funds have been exhausted, SMM has the option to invest US\$2.8 million for an additional 15% equity which would bring its total equity in CExCI to 40%. SMM did not exercise its option to make the additional investment and the said agreement was terminated.

CExCI has identified a new property for exploration and development in the province of Zambales under Newminco, which is prospective for gold and copper. In relation to this, SMM put up an additional US\$2.8 million to increase its ownership from 25% to 40%. On November 24, 2015, the shareholders of CExCI agreed to enter into a new Participation and Shareholders' Agreement to set out the rights and obligations of the shareholders in relation to the conduct of the business of CExCI. The new agreement also causes CExCI to convert the existing advances from shareholders into equity, based on the initial equity proportion of shareholders, by issuing shares out of the unissued authorized capital stock of CExCI at a premium. Total advances of the Company for conversion to equity of CExCI amounted to ₱92.0 million as at December 31, 2021 and 2020 (see Note 11). CExCI has filed the application for the conversion of advances into equity with the SEC. As at December 31, 2021, CExCI is still waiting for the SEC's approval of the conversion of advances into equity.

On December 18, 2015, the BOD of CExCI approved the increase in authorized capital stock of the latter. Upon approval of the SEC of the application for increase in authorized capital stock of CExCI,





the additional investment of SMM amounting to US\$2.8 million, which is equivalent to ₱131.9 million, will be converted into equity. After the conversion, the Company and SMM's equity in CExCI shall be 57% and 40%, respectively.

As at December 31, 2021 and 2020, the total additional advances made by the Company to CExCI amounted to ₱197.6 million and ₱139.0 million, respectively, following the equity cash call made by the latter (see Note 11).

#### MOA with DOE

On December 3, 2014, the Company and DOE agreed in accordance with RA 9136 or the "Electric Power Industry Reform Act of 2001" which requires all energy generation companies and/or energy resource developers to provide financial benefits equivalent to ₱0.01/ kilowatt-hour (kWh) of the total electricity sales of the generation facility to its customer/off-taker to the region, province, city or municipality and barangay that host the generation facility, and to establish the corresponding trust accounts which should be administered by the DOE. The ₱0.01 financial benefits shall be allocated as follows: ₱0.005/kWh for EF, ₱0.0025/kWh for DLF and ₱0.0025/kWh for RWMHEEF.

#### Option Agreement with SMM

On December 22, 2021, the Company was granted a one-time option to purchase CBNC shares from SMM equivalent to 33,046,875 shares or 5.625% of the total number of CBNC's issued shares on the condition that the number of CBNC's total outstanding shares is 587,500,000. The share purchase price will be US\$25.9 million. The option can be exercised for a period of one (1) month after eight (8) months from the closing date of the transfer transaction among SMM, Sojitz Corporation and Mitsui. The closing date of the sale and purchase transaction between the Company and SMM will be no earlier than twelve (12) months after the execution of the Deeds of Absolute Sale of Shares.

#### Other Matters

On August 2, 2021, JSI entered into an Omnibus Loan and Security Agreement for up to ₱1,600.0 million with Industrial and Commercial Bank of China and SBC with the Company forming part of the Share Collateral Security Grantors and Sponsors together with EPI and TBEA. The proceeds of the loan shall be used by JSI to partially repay the loans issued by the Company and to pay the loans and/or advances received by JSI from EPI and TBEA.

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### **30. Events after the End of the Financial Reporting Period**

#### Dividend Declaration

On March 10, 2022, the Company's BOD declared regular cash dividends of ₱0.17 per common share and special cash dividends of ₱0.05 per common share to stockholders of record as at March 24, 2022 which will be paid on April 7, 2022.

#### Loan Agreement with EPI

On January 20, 2022, the Company agreed to provide an additional loan facility to EPI amounting to ₱240.0 million to finance EPI's operating costs and capital expenditures for 2022. The loan bears an interest of 5.00% p.a. which is payable semi-annually following the date of the corresponding drawdown. The loan principal is payable on or before the end of third (3rd) year after drawdown.

#### Acquisition of Additional Shares in CBNC

On March 10, 2022, the Company's BOD approved to exercise the option to purchase an additional 33,046,875 common shares in CBNC, equivalent to 5.625% ownership, pursuant to the Option



Agreement executed by the Company and SMM. The Company intends to exercise its option in October 2022 or earlier.

Additional Shareholder Advances to Renewable Energy Subsidiaries

On March 10, 2022, the Company's BOD also approved the grant of shareholders' advances of ₱760.5 million to EPI to fund the latter's acquisition and development costs for the projects forming part of EPI's business plans. The advances shall be payable in five (5) years and shall be subject to 6% interest p.a.

The Company was also authorized by the BOD to provide shareholder advances of ₱952.0 million to JSI for the Phase 4 expansion of JSI's solar power plant in Subic Bay Freeport Zone, which would bring total solar plant capacity to 180MW. These advances shall be payable in 50% bullet payments in 2032 and 2034, or earlier upon refinancing from financial institutions, and shall be subject to 6% interest p.a.

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**31. Supplemental Disclosure to Parent Company Statements of Cash Flows**

	2021	2020
<i>Noncash investing activities:</i>		
Debt-to-equity swap of EPI's loan and shares of stock in JSI	₱500,000,000	₱-
Conversion of deposits into equity of CDTN	25,000,000	-
Additional investment in subsidiaries arising from ESOP (see Notes 10 and 14)	2,684,227	7,989,306
Conversion of advances into equity of DMC	-	209,232,233

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**32. Supplementary Tax Information under Revenue Regulations 15-2010**

The Company reported and/or paid the following types of taxes in 2021:

VAT

The Company's revenues and other income are subject to VAT zero-rated, VAT exempt and/or 12% output VAT while its purchases from VAT-registered individuals or corporations are subject to 12% input VAT.

- a) Net sales/receipts and output VAT declared in the Company's VAT returns for 2021:

<i>VAT zero-rated sales/receipts</i>	
Marketing service income	₱733,731,808
Management service income	139,516,129
	₱873,247,937

The Company's sales of services to its subsidiaries namely HMC, CMC, TMC and RTN were subjected to VAT zero-rating pursuant to the Board of Investments certifications received by the subsidiaries as manufacturers/exporters with 100% export of beneficiated nickel ore to companies in China and Japan.

VAT exempt sales/receipts

Interest income from loan and notes receivable	₱63,172,946
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A portion of the Company's interest income from loan and notes receivable were exempted from VAT pursuant to the Certificate of Registration and Tax Exemption held by JSI which allows the latter to enjoy waived VAT, ad valorem and excise tax on internal revenue taxes, customs and import duties, and national revenue taxes, among others.

*VAT sales/receipts*

The Company's taxable sales/receipts which were subjected to 12% output VAT follows:

	Sales/Receipts	Output VAT
Capital recovery fee	₱134,338,800	₱16,120,656
Marketing service income	68,716,774	8,246,013
Interest income from loan and notes receivable	57,480,000	6,897,600
Sale of :		
Power	31,852,202	3,822,264
Property and equipment and scrap	860,728	103,287
Management service income	10,483,871	1,258,065
Guarantee fee income	7,604,167	912,500
	<b>₱311,336,542</b>	<b>₱37,360,385</b>

The remaining output VAT of ₱2,136,545 will be applied against input VAT in 2022.

b) Input VAT

The Company's input VAT came from prior years and current year purchases as follows:

Balance at January 1, 2021		₱62,634,840
Current year's domestic purchases/payments for:		
Services received		18,396,925
Goods other than capital goods		1,637,028
Capital goods subject to amortization		224,902
Capital goods not subject to amortization		129,600
		<b>83,023,295</b>
Deductions from input VAT		
Applied against output VAT		
December 2020		2,201,054
1st Quarter 2021		6,751,069
2nd Quarter 2021		7,642,642
3rd Quarter 2021		15,465,279
October and November 2021		5,364,850
		<b>37,424,894</b>
Balance at December 31, 2021		<b>₱45,598,401</b>

Withholding Taxes

	Total Remittance	Remaining Balance
Final withholding taxes	₱162,301,368	₱—
Withholding taxes on compensation and benefits	77,246,089	30,199,556
Expanded withholding taxes	5,619,756	918,893
	<b>₱245,167,213</b>	<b>₱31,118,449</b>



The remaining balances of withholding taxes are included in “Trade and other payables” in the parent company statements of financial position.

Other Taxes and Licenses

Taxes and licenses, local and national, include FBT, registration and filing fees, documentary stamp tax (DST), real property tax (RPT) and licenses and permit fees for 2021.

*Under Cost of Services*

FBT	₱578,760
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*Under Cost of Power Generation*

RPT	₱6,788,990
Licenses and permit fees	873,769
DST	202,907
FBT	65,561
Others	101,719
	₱8,032,946

*Under General and Administrative Expenses*

Licenses and permit fees	₱7,174,701
BIR Assessments	5,573,889
FBT	2,747,244
RPT	202,100
DST	197,399
Others	56,034
	₱15,951,367

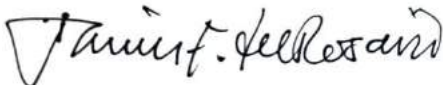


**INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF RECONCILIATION  
OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Nickel Asia Corporation as at December 31, 2021 and 2020, and have issued our report thereon dated March 10, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

Tax Identification No. 102-096-009

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 56915-SEC (Group A),

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-072-2020, November 27, 2020, valid until November 27, 2023

PTR No. 8853485, January 3, 2022, Makati City

March 10, 2022



**NICKEL ASIA CORPORATION**

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**INDEX TO THE PARENT COMPANY FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Schedule**

Reconciliation of Retained Earnings Available for Dividend Declaration

I

## SCHEDULE I

### **NICKEL ASIA CORPORATION RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2021**

Unappropriated retained earnings as at December 31, 2020, <i>as adjusted to available for dividend distribution</i>	₱14,161,448,289
<u>Add: Net income actually earned/realized during the period</u>	
Net income during the period closed to retained earnings	8,976,447,417
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	(125,333,565)
Fair value adjustments	<u>(53,493,786)</u>
<u>Net income actually earned during the period</u>	<u>8,797,620,066</u>
Less:	
Dividend declarations during the period	(6,134,386,553)
Treasury stock	<u>(134,014,558)</u>
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION AS AT DECEMBER 31, 2021</b>	<b><u>₱16,690,667,244</u></b>





S.E.C. Number CS200811530

File Number \_\_\_\_\_

**NICKEL ASIA CORPORATION**

(Company's Full Name)

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

(Company's Address)

**+63 2 8892 6669 / +63 2 7798 7622**

(Telephone Numbers)

**December 31**

(Fiscal Year Ending)

(month & day)

**SEC Form 17-Q Quarterly Report**

Form Type

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Amendment Delegation (If applicable)

**For the Three Months Ended**

**March 31, 2022**

Period Ended Date

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(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

1. For the quarterly period ended: MARCH 31, 2022
2. SEC Identification Number: CS200811530
3. BIR Tax Identification No.: 007-085-191-000
4. Exact name of issuer as specified in its charter: NICKEL ASIA CORPORATION
5. Province, Country or other jurisdiction of incorporation or organization: PHILIPPINES
6. Industry Classification Code:  (SEC Use Only)
7. Address of principal office Postal Code  
28<sup>th</sup> Floor NAC Tower, 32nd Street, 1634  
Bonifacio Global City, Taguig City
8. Issuer's telephone number, including area code: +63 2 8892 6669 / +63 2 7798 7622
9. Former name, former address, and former fiscal year, if changed since last report.  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock</b>	<b>13,630,850,117 shares</b>
<b>Short and Long-term Debts</b>	<b>Php2,588.4 million</b>

11. Are any or all of these securities listed on a Stock Exchange.  
Yes [  ] No [  ]

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

PHILIPPINE STOCK EXCHANGE COMMON STOCK

12. Check whether the issuer:  
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [  ] No [  ]

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

Yes [  ] No [  ]



May 5, 2022

**Ms. Alexandra D. Tom Wong**

Officer-in-Charge, Disclosure Department  
Philippine Stock Exchange Tower,  
5th Avenue corner 28th Street, BGC Taguig City

**Mr. Vicente Graciano P. Felizmenio, Jr.**

Director - Markets and Securities Regulation Department  
Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

Re : SEC Form 17-Q 2022 1st Quarter Report  
x =====x

Gentlemen:

We submit to you herewith a copy of our Company's SEC Form 17-Q Quarterly Report for the period ended March 31, 2022.

We trust everything is in order.

Very truly yours,

**Maria Angela G. Villamor**  
Senior Vice President and Chief Financial Officer



**NICKEL ASIA CORPORATION**  
**17-Q QUARTERLY REPORT**  
**MARCH 31, 2022**

**PART I – FINANCIAL INFORMATION**

Item A. Financial Statements .....	<b>1 – 2</b>
Summary Consolidated Statements of Income for the Three Months Ended March 31, 2022 and 2021	
Summary Consolidated Statements of Financial Position as at March 31, 2022 and December 31, 2021	
Summary Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2022 and 2021	
 Item B. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	 <b>2 – 9</b>

<b>PART II – FINANCIAL SOUNDNESS INDICATORS .....</b>	<b>10</b>
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**SIGNATURES****INDEX TO FINANCIAL STATEMENTS**

## PART I – FINANCIAL INFORMATION

### Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2022 (with Comparative Audited Statement of Financial Position as at December 31, 2021) and for the three-month period ended March 31, 2022 and 2021 are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2022 and 2021 and as at March 31, 2022 and December 31, 2021:

#### Summary Consolidated Statements of Income

	For the Three Months Ended March 31		Increase (Decrease)	Percent Inc (Dec)
	2022	2021		
<i>(In Thousand Pesos)</i>				
Revenues	₱3,693,135	₱3,167,580	₱525,555	17%
Costs	(1,258,041)	(1,225,695)	32,346	3%
Operating expenses	(639,147)	(624,630)	14,517	2%
Finance income	20,305	67,251	(46,946)	-70%
Finance expenses	(61,320)	(61,146)	174	0%
Equity in net income of associates	305,181	114,926	190,255	166%
Other income - net	26,260	11,026	15,234	138%
Provision for income tax - net	(499,251)	(480,079)	19,172	4%
Net income	₱1,587,122	₱969,233	₱617,889	64%
Net income attributable to:				
Equity holders of the parent	₱1,053,858	₱584,097	₱469,761	80%
Non-controlling interests	533,264	385,136	148,128	38%
	₱1,587,122	₱969,233	₱617,889	64%

#### Summary Consolidated Statements of Financial Position

	March 31,	December 31,	Increase (Decrease)	Percent Inc (Dec)
	2022 (Unaudited)	2021 (Audited)		
<i>(In Thousand Pesos)</i>				
Current assets	₱23,566,362	₱24,011,065	(₱444,703)	-2%
Noncurrent assets	28,337,521	27,689,817	647,704	2%
Total assets	₱51,903,883	₱51,700,882	₱203,001	0%
Current liabilities	₱10,292,375	₱11,924,982	(₱1,632,607)	-14%
Noncurrent liabilities	3,628,124	3,446,700	181,424	5%
Equity attributable to equity holders of the parent	34,060,687	32,939,767	1,120,920	3%
Non-controlling interests	3,922,697	3,389,433	533,264	16%
Total liabilities and equity	₱51,903,883	₱51,700,882	₱203,001	0%

### Summary Consolidated Statements of Cash Flows

	For the Three Months Ended March 31		Increase (Decrease)	Percent Inc (Dec)
	2022	2021		
<i>(In Thousand Pesos)</i>				
Net cash flows from (used in):				
Operating activities	₱2,020,754	₱543,607	₱1,477,147	272%
Investing activities	142,955	(426,566)	569,521	134%
Financing activities	(1,882,420)	(728,471)	1,153,949	158%
Net increase (decrease) in cash and cash equivalents	281,289	(611,430)	892,719	146%
Cash and cash equivalents, beginning	10,826,806	11,835,201	(1,008,395)	-9%
Cash and cash equivalents, end	₱11,108,095	₱11,223,771	(₱115,676)	-1%

### **Item B. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **RESULTS OF OPERATIONS**

The following discussion and analysis is based on the unaudited interim consolidated financial statements for the three months ended March 31, 2022 and 2021, prepared in conformity with Philippine Accounting Standards 34, *Interim Financial Reporting* and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

#### **Three months ended March 31, 2022 compared with three months ended March 31, 2021**

##### **Revenues**

	2022	2021
	<i>(In Thousands)</i>	
Sale of ore and limestone	₱3,383,001	₱2,901,043
Services and others	170,755	189,784
Power	139,379	76,753
	₱3,693,135	₱3,167,580

Revenues during the first quarter of 2022 was ₱3,693.1 million, higher by ₱525.6 million or 17%, compared to ₱3,167.6 million during the same period last year.

##### *Sale of Ore*

Income during the first quarter of the year was achieved mainly due to higher ore sales prices. The continued strong demand for stainless steel and the accelerating trend in demand in the electric vehicle market have been beneficial to the metals and mining business.

Although nickel ore sales volume decreased by 10%, from 2.65 million wet metric tons (WMT) in the first quarter last year to 2.39 million WMT in the same period this year, revenue from the sale of nickel ore increased 17% year-on-year, from ₱2.85 billion in 2021 to ₱3.32 billion in 2022, as the weighted average realized price of ore sold increased 22% from \$22.21 per WMT last year to \$27.03 per WMT this year.

Breaking down the ore sales, the Group exported 0.65 million WMT of saprolite and limonite ore to Japanese and Chinese customers at the weighted average price of \$46.90 per WMT in the first three months of the year, compared to 0.84 million WMT at \$45.60 per WMT in the same period last year. Likewise, the Group delivered 1.74 million WMT of limonite ore to the Coral Bay and Taganito HPAL plants, the prices of which are linked to the London Metal Exchange (LME), and realized an average price of \$11.80 per pound of payable nickel. This compares to 1.81 million WMT at \$7.96 per pound of payable nickel in the first quarter of 2021. Expressed in US\$ per WMT, deliveries to the two HPAL plants generated \$19.58 and \$11.29 in the first quarter of 2022 and 2021, respectively.

The realized peso to US\$ exchange rate for ore sales was ₱51.51 during the first quarter of 2022 compared to ₱48.38 during the same period last year.

On a per mine basis, the Group's Rio Tuba mine exported 0.65 million WMT of saprolite ore and delivered 0.76 million WMT of limonite ore to the Coral Bay processing plant during the first quarter of 2022. This compares to sales of 0.73 million WMT of saprolite ore and 0.80 million WMT of limonite ore to the Coral Bay processing plant during the same period last year.

The Group's Taganito mine delivered 0.98 million WMT of limonite ore to the Taganito processing plant during the first quarter of 2022. Compared to the same period last year wherein there were 54.40 thousand WMT of saprolite ore and 1.00 million WMT of limonite ore delivered to the Taganito processing plant.

The Company's Hinatuan and Cagdianao mines have no shipments during the first quarter of 2022 but HMC was able to ship 56.44 thousand WMT of limonite ore during the first quarter of 2021.

#### *Sale of Limestone*

Due to the 33% drop in limestone deliveries, Rio Tuba's revenue from sale of limestone during the first quarter of 2022 was lower by 25% at ₱58.8 million compared to ₱78.6 million during the same period last year.

#### *Services and Others*

##### *Sale of Quarry Materials*

Compared to first quarter of 2021 wherein Taganito Mining Corporation (TMC) delivered 314,167 bank cubic meter of quarry materials, there were no deliveries to Taganito HPAL Nickel Corporation (THNC) during the first quarter of 2022.

##### *Services*

Services revenue largely consists of payments made in consideration for the hauling, manpower and other ancillary services that Rio Tuba Nickel Mining Corporation, CDTN Services Company Inc., and TMC provides to either Coral Bay Nickel Corporation (CBNC) or THNC and usage fee charged by TMC to THNC for the use of its pier facility. Service revenue was lower by ₱18.4 million, from ₱189.2 million to ₱170.8 million, because of the 11% decline in the volume of materials handled.

##### *Sale of Power*

Revenue from sale of power during the first quarter of 2022 amounted to ₱139.4 million, or 82% higher than last year's ₱76.8 million. The energy generated by the Group's solar power plant was higher by 152% or by 14 million kilowatt hour (kWh) compared to the same period last year. A portion of the energy generated was attributable to the completion and energization of Phase 3A, which contributed 30 MWp starting second quarter of 2021. The average effective price for the first quarter of 2022 was higher by 11% at ₱4.23/kWh as against ₱3.80/kWh for the first quarter of 2021.



## **Costs**

Costs slightly went up by 3% or ₱32.3 million, from ₱1,225.7 million to ₱1,258.0 million.

	2022	2021
	(In Thousands)	
Cost of sales	₱1,086,935	₱1,047,711
Power generation	96,589	80,276
Services	74,517	97,708
	<u>₱1,258,041</u>	<u>₱1,225,695</u>

### *Cost of Sales*

Cost of sales slightly increased by 4% to ₱1,086.9 million from ₱1,047.7 million primarily due to the increase in diesel cost during the first quarter of 2022. Local business tax, which was computed based on 2021 revenue, was also higher in the current period because of the favorable nickel price in 2021 which resulted to higher net income.

### *Cost of Power Generation*

Cost of power generation went up by 20% to ₱96.6 million from ₱80.3 million following the completion and energization of Phase 3A of the solar power project in June 2021 which subsequently increase depreciation by 14%.

### *Cost of Services*

Cost of services slid by 24% from ₱97.7 million to ₱74.5 million following the decrease in personnel cost and decrease in overhead cost on account of lower share in fixed cost. Aside from this, the volume of materials handled decreased by 11%.

## **Operating Expenses**

	2022	2021
	(In Thousands)	
General and administrative	₱267,524	₱228,693
Excise taxes and royalties	217,727	184,066
Shipping and loading costs	153,896	211,871
	<u>₱639,147</u>	<u>₱624,630</u>

### *General and Administrative*

General and administrative expenses increased by 17% from ₱228.7 million to ₱267.5 million on account of the donation made to NAC Foundation Inc. and increase in amortization expense after the implementation of new accounting software.

### *Excise Taxes and Royalties*

Excise taxes and royalties rose by 18% to ₱217.7 million from ₱184.1 million because of higher revenues resulting from higher ore prices.

### *Shipping and Loading Costs*

Shipping and loading costs went down by 27% because of the 23% decline in the volume of ore export sales which was attributable to late start of shipment. This resulted to lower LCT rental and stevedoring and wharfage cost incurred during the current period.

### **Finance Income**

Finance income significantly dropped by 70% at ₱20.3 million from ₱67.3 million as interest earned from investments in debt instruments fell from ₱56.6 million during the first quarter of 2021 to ₱6.9 million only during the first quarter of 2022.

### **Finance Expenses**

Finance expenses was almost the same at ₱61.3 million during the first quarter of 2022 and ₱61.1 million during the first quarter of 2021. The decline in the London Inter-Bank Offered Rate from 2.25% to 2.16% and domestic borrowing rate from an average of 5.75% to an average of 4.50%, was offset by the increase in average foreign exchange rate from ₱48.30/US\$1 to ₱51.57/US\$1.

### **Equity in Net Income of Associates**

As a result of higher LME prices, the Parent Company recognized gain from its equity share in its investments in the two HPAL plants in the amount of ₱305.2 million in the first quarter of 2022, a 166% increase compared to ₱114.9 million in the same period last year.

### **Other Income - Net**

Other income - net was at ₱26.3 million in the first quarter of 2022 compared to ₱11.0 million in the same period last year and this was driven mainly by the appreciation of US\$ compared to peso. The average foreign exchange rate was at ₱51.57 during the first quarter of 2022 as against ₱48.30 during the same period last year, as a result, the Group recognized net foreign exchange gains of ₱188.3 million in the first quarter of 2022 compared to ₱107.2 million in the same period last year. However, the increase in foreign exchange gains was partially offset by the unfavorable valuation of the Parent Company's investments leading to higher losses incurred during the current period. In addition, TMC wrote off ₱21.1 million of its input value added tax claims that were denied by the Supreme Court.

### **Provision for Income Tax - Net**

The net provision for income tax was higher by 4% due to higher taxable income and higher revenue during the current period.

### **Net Income**

As a result of the foregoing, the consolidated net income was ₱1,587.1 million during the first quarter of 2022 compared to ₱969.2 million during the same period last year. Net of non-controlling interests, the net income attributable to the equity holders of the parent for the first quarter of the current year amounted to ₱1,053.9 million compared to ₱584.1 million during the same period last year.

### **STATEMENT OF FINANCIAL POSITION**

Total assets as of March 31, 2022 close at ₱51,903.9 million compared to ₱51,700.9 million as of December 31, 2021. Current assets slid by 2% to ₱23,566.4 million from ₱24,011.1 million due to partial withdrawal of funds from local investments and collection of trade and other receivables that were used for capital asset acquisitions. Noncurrent assets was at ₱28,337.5 million from ₱27,689.8 million as at March 31, 2022 and December 31, 2021, respectively. The slight increase in noncurrent assets was attributable mainly from the Parent Company's equity share in the current period earnings of its associates and from acquisitions of property and equipment.

Current liabilities were lower by 14% from ₱11,925.0 million to ₱10,292.4 million due to payments of cash dividends in January 2022.

Noncurrent liabilities of ₱3,628.1 million was slightly higher as against end of last year's ₱3,446.7 million due to additional loans availed by Jobin-SQM, Inc. (JSI) from TBEA International Engineering Co., Ltd. (TBEA) amounting to ₱123.9 million.

Equity net of non-controlling interests rose by 3% to ₱34,060.7 million due to the net effect of earnings during the period.

### **STATEMENT OF CASH FLOWS**

Net cash from operating activities during the first quarter of 2022 amounting to ₱2,020.8 million was higher compared to ₱543.6 million during the same period last year due to higher collections of receivables from the sale of ore on account of higher revenue during the period.

Net cash from investment activities in the first quarter of 2022 amounted to ₱143.0 million compared to net cash used in investment activities of ₱426.6 million in the same period last year. Cash from (used in) investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets in debt and equity securities. During the first quarter of 2022, the net proceeds from the sale of financial assets and property and equipment amounted to ₱3.8 million compared to the net acquisition cost of ₱359.4 million incurred during the same period last year. In line with the change in investment strategy of the Parent Company during the first quarter of 2021, some of its local investments and one offshore account were disposed of and the proceeds from the sale were used as additional fund for the opening of new offshore investment accounts. Moreover, in January 2022, the Parent Company received cash dividends from CBNC.

Net cash used in financing activities was higher in the first quarter of 2022 because cash dividends paid was at ₱1,975.0 million compared to ₱700.0 million only in the same period last year.

As at March 31, 2022 and 2021, cash and cash equivalents amounted to ₱11,108.1 million and ₱11,223.8 million, respectively.

### **KEY PERFORMANCE INDICATORS**

#### **1) TOTAL COST PER VOLUME SOLD**

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

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

The average cost per volume of ore sold for the first quarter of 2022 was ₱687.51 per WMT on the basis of aggregate costs of ₱1,641.4 million and total sales volume of 2.39 million WMT of ore. This compares to ₱593.11 per WMT during the first quarter of 2021 on the basis of aggregate costs of ₱1,574.1 million and total sales volume of 2.65 million WMT of ore.

#### **2) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit or loss for the period, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The income attributable to equity holders of the Parent Company for the first quarter of 2022 was ₱1,053.9 million compared to ₱584.1 million in the same period last year.

### **3) NUMBER OF HECTARES OF OPEN AREA PER MILLION WMT SOLD**

The Group adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. In 2018, the Department of Environment and Natural Resources (DENR), through the issuance of DENR Administrative Order (DAO) No. 2018-20, prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines and provides limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. The DAO also requires that temporary revegetation be immediately implemented on the disturbed areas. During the first quarters of 2022 and 2021, the open hectares per million WMT sold was 107.65 and 119.24, respectively.

### **4) FREQUENCY RATE**

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

### **Liquidity and Capital Resources**

As at March 31, 2022 and December 31, 2021, the Group's principal source of liquidity was cash from operations. TMC incurred long-term debt to finance the construction of the Taganito pier facilities. TMC receives income from THNC under throughput agreement for the use of the pier facilities. The revenues that TMC receives from THNC under the throughput agreement have typically been sufficient to service its long-term debt. In addition, the Group also incurred long-term debt to finance the solar project of JSI and the geothermal exploration and evaluation assets of Mindoro Geothermal Power Corporation (MGPC). Any revenue that will be earned by JSI and MGPC upon start of or during their commercial operations will be used to pay-off the debt.

As at March 31, 2022 and December 31, 2021, the Group's working capital, defined as the difference between the current assets and current liabilities, was ₱13,274.0 million and ₱12,086.1 million, respectively. NAC expects to meet the working capital, capital expenditure and investment requirements from the cash flow coming from operations and pay-off the debts that the Group incurred to finance the construction of pier facilities at the Taganito properties and Emerging Power Inc.'s (EPI) solar project and other project development costs. The Group may also from time to time seek other sources of funding, which may include debt or equity financings, depending on the financing needs and market conditions.

### **Qualitative and Quantitative Disclosures about Market Risk**

#### *Commodity Price Risk*

The price of nickel is subject to fluctuations driven primarily by changes in global demand and global production of similar and competitive mineral products. This, therefore, required the Group to change the pricing mechanism on the sale of saprolite ore to Japanese customers, which was traditionally linked to LME prices. Effective April 1, 2014, the pricing of saprolite ore to Japan was therefore changed to a negotiated price per WMT of ore, similar to the pricing of ore to China. The price of limonite ore is closely correlated to international iron ore price index. The prices of nickel ore delivered to CBNC and THNC are determined based on a payable percentage of the nickel contained in the ore delivered and a formula related to LME prices over the period the nickel ore was delivered. To mitigate the impact of such price movements, the Company may opt to enter into commodity put option contracts.

### *Foreign Currency Risk*

The foreign currency risk results primarily from movements of the peso against the US dollar on transactions in currencies other than Peso. Such exposure arises mainly from cash and cash equivalents, financial assets in debt and equity securities, long-term debt and sales of beneficiated nickel ore denominated in US dollar. Because almost all of the revenues are earned in US dollar while most of the expenses are paid in Peso, appreciation of the Peso against the US dollar effectively reduces the revenue without a corresponding reduction in the expenses and can result in a reduction in the net income. In addition, because a portion of the cash and cash equivalents, financial assets in debt and equity securities and long-term debt are denominated in US dollar, the appreciation of the peso against the US dollar reduces the value of the total assets and liabilities in peso terms in the consolidated financial statements. Currently, the Group is not a party to any foreign currency swap agreements and the Group's policy is not to hedge foreign currency exchange risk.

To mitigate the effect of foreign currency risk, the Group will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign-currency denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the quoted equity securities owned by the Group. The Group's exposure to equity price risk relates primarily to the financial assets in various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price and market value of the assets are monitored regularly to determine impact in the financial position.

### **Seasonality of Operations**

Mining operations at the majority of the Group's mines are suspended and are often unable to load ore into shipping vessels during the rainy season. This seasonality results in quarter-to-quarter volatility in the Group's operating results with more revenue being earned and more expenses being incurred in the second and third fiscal quarters than in the first and fourth fiscal quarters.

### **Off-balance Sheet Arrangements**

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

On August 2, 2021 JSI entered into an Omnibus Loan and Security Agreement to document the syndicated loan with two (2) banks as lenders, i.e., SBC and International and Commercial Bank of China with the Parent Company forming part of the Share Collateral Security Grantors and Sponsors together with EPI and TBEA. The principal loan will be used to partly refinance the shareholders loans used for the Phase 3A and Phase 3B expansion. Payment of the loan shall be secured by chattel mortgage on all project assets, mortgage over the leasehold rights with Subic Bay Metropolitan Authority, and the pledge of shares of stocks of JSI.

Other than those mentioned above, the Parent Company has not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

### **Known Trends, Events, or Uncertainties**

#### **Cancellation of Hinatuan Mining Corporation's (HMC) Mineral Production Sharing Agreement (MPSA)**

On February 13, 2017, HMC, a wholly owned subsidiary of the Parent Company, received a letter from the DENR stating that its MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of Republic Act No. 7942 or the Philippine Mining Act of 1995 as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA.

The Parent Company will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA. During the first quarters of 2022 and 2021, HMC's tonnage consists nil and 2%, respectively, of the Group's total volume shipped.

#### **Coronavirus Disease (COVID-19) Outbreak**

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation (PP) No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, PP No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021.

These have caused disruptions to businesses and economic activities; however, the Group has determined that these series of events have not materially affected its financial position as at March 31, 2022 and its financial performance and cash flows for the period then ended.

As at May 5, 2022, Metro Manila is under Alert level 1.

As at March 31, 2022, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
- Seasonal aspects that had a material impact on the Group's results of operations; and
- Material changes in the financial statements of the Group for the periods ended March 31, 2022 and December 31, 2021, except those mentioned in the preceding.
- Known event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation that have not been booked, although the Group could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**PART II - FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

Ratios	Formula	2022	2021
<i>A. Liquidity analysis ratios</i>			
Current ratio or working capital ratio	Current assets / Current liabilities	<b>2.29</b>	2.18
Quick ratio	Current assets - Inventories - Prepayments and other current assets / Current liabilities	<b>1.81</b>	1.82
Solvency ratio	Total assets / Total liabilities	<b>3.73</b>	3.62
<i>B. Financial leverage ratios</i>			
Debt ratio	Total liabilities / Total assets	<b>0.27</b>	0.28
Debt-to-equity ratio	Total liabilities / Total equity	<b>0.37</b>	0.38
Asset-to-equity ratio	Total assets / Total equity	<b>1.37</b>	1.38
Interest coverage ratio	Earnings before interest and taxes / Interest expense	<b>41.29</b>	28.88
<i>C. Profitability ratios</i>			
Net profit margin	Net income / Revenue	<b>0.43</b>	0.31
Return on assets	Net income / Total assets	<b>0.03</b>	0.02
Return on equity	Net income / Total equity	<b>0.04</b>	0.03
Gross profit margin	Sales - Costs / Revenue	<b>0.66</b>	0.61
Price/earnings ratio	Price per share / EPS	<b>98.00</b>	125.00

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **NICKEL ASIA CORPORATION**

By:



**Martin Antonio G. Zamora**  
President and Chief Executive Officer

May 5, 2022



**Maria Angela G. Villamor**  
Senior Vice President and Chief Financial Officer

May 5, 2022



**NICKEL ASIA CORPORATION**  
SEC FORM 17-Q  
INDEX TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Interim Consolidated Statements of Financial Position as at March 31, 2022 and  
December 31, 2021

Interim Consolidated Statements of Income for the three-month period ended  
March 31, 2022 and 2021

Interim Consolidated Statements of Comprehensive Income for the three-month period ended  
March 31, 2022 and 2021

Interim Consolidated Statements of Changes in Equity for the three-month period ended  
March 31, 2022 and 2021

Interim Consolidated Statements of Cash Flows for the three-month period ended  
March 31, 2022 and 2021

Notes to Consolidated Financial Statements

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## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2022

(With Comparative Audited Figures as at December 31, 2021)

(Amounts in Thousands)

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱11,108,095	₱10,826,806
Trade and other receivables (Notes 5 and 29)	1,694,147	1,971,096
Inventories (Note 6)	2,624,701	2,242,932
Financial assets at (Note 7):		
Fair value through profit or loss (FVTPL)	5,140,383	5,266,080
Fair value through other comprehensive income (FVOCI)	645,734	1,122,284
Prepayments and other current assets	2,353,302	2,581,867
<b>Total Current Assets</b>	<b>23,566,362</b>	<b>24,011,065</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	17,320,869	17,238,357
Investments in associates (Note 9)	4,197,188	3,812,554
Geothermal exploration and evaluation assets (Note 10)	1,863,831	1,849,936
Financial assets at - net of current portion (Note 7):		
FVTPL	728,783	731,813
Amortized cost	460,000	460,000
Deferred income tax assets - net	375,523	309,746
Long-term stockpile inventory - net of current portion	42,535	42,535
Other noncurrent assets	3,348,792	3,244,876
<b>Total Noncurrent Assets</b>	<b>28,337,521</b>	<b>27,689,817</b>
<b>TOTAL ASSETS</b>	<b>₱51,903,883</b>	<b>₱51,700,882</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 11 and 29)	₱7,016,383	₱9,226,190
Short-term debts (Note 12)	1,495,685	1,492,916
Income tax payable	1,351,347	773,450
Other current liability	300,731	300,731
Current portion of:		
Long-term debt (Notes 12 and 29)	90,545	89,248
Lease liabilities (Note 30)	30,914	35,754
Long-term payable	6,770	6,693
<b>Total Current Liabilities</b>	<b>10,292,375</b>	<b>11,924,982</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debt (Notes 12 and 29)	1,002,150	867,111
Lease liabilities (Note 30)	582,309	578,190
Deferred income	40,852	41,899
Provision for mine rehabilitation and decommissioning (Note 13)	827,525	823,962
Pension liability	666,330	624,110
Deferred income tax liabilities	508,958	511,428
<b>Total Noncurrent Liabilities</b>	<b>3,628,124</b>	<b>3,446,700</b>
<b>Total Liabilities</b>	<b>13,920,499</b>	<b>15,371,682</b>

(Forward)

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 14)	₱6,849,836	₱6,849,836
Additional paid-in capital	8,271,900	8,271,900
Other components of equity:		
Share in cumulative translation adjustment (Note 9)	666,750	599,215
Cost of share-based payment plan (Note 15)	476,857	473,442
Asset revaluation surplus	30,470	30,565
Net valuation gains (losses) on financial assets at FVOCI	(525)	3,363
Retained earnings:		
Unappropriated	17,764,413	16,710,460
Appropriated (Note 14)	135,000	135,000
Treasury stock (Note 14)	(134,014)	(134,014)
	<b>34,060,687</b>	<b>32,939,767</b>
<b>Non-controlling Interests (NCI)</b>	<b>3,922,697</b>	<b>3,389,433</b>
<b>Total Equity</b>	<b>37,983,384</b>	<b>36,329,200</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱51,903,883</b>	<b>₱51,700,882</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Amounts in Thousands, Except Earnings per Share)**

	2022	2021
	(Unaudited)	
<b>REVENUES</b> (Notes 28 and 29)		
Sale of ore and limestone	₱3,383,001	₱2,901,043
Services and others	170,755	189,784
Sale of power	139,379	76,753
	<b>3,693,135</b>	<b>3,167,580</b>
<b>COSTS</b>		
Cost of sales (Note 17)	1,086,935	1,047,711
Power generation (Note 18)	96,589	80,276
Services (Note 19)	74,517	97,708
	<b>1,258,041</b>	<b>1,225,695</b>
<b>OPERATING EXPENSES</b>		
General and administrative (Note 20)	267,524	228,693
Excise taxes and royalties (Note 21)	217,727	184,066
Shipping and loading costs (Note 22)	153,896	211,871
	<b>639,147</b>	<b>624,630</b>
<b>FINANCE INCOME</b> (Note 25)	20,305	67,251
<b>FINANCE EXPENSES</b> (Note 26)	(61,320)	(61,146)
<b>EQUITY IN NET INCOME OF ASSOCIATES</b> (Note 9)	305,181	114,926
<b>OTHER INCOME - Net</b> (Note 27)	26,260	11,026
<b>INCOME BEFORE INCOME TAX</b>	<b>2,086,373</b>	<b>1,449,312</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 31)		
Current	579,409	443,349
Deferred	(80,158)	36,730
	<b>499,251</b>	<b>480,079</b>
<b>NET INCOME</b>	<b>₱1,587,122</b>	<b>₱969,233</b>
Net income attributable to:		
Equity holders of the parent	₱1,053,858	₱584,097
NCI	533,264	385,136
	<b>₱1,587,122</b>	<b>₱969,233</b>
<b>Basic/Diluted Earnings Per Share</b> (EPS; Note 16)	<b>₱0.08</b>	<b>₱0.04</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Amounts in Thousands)

	2022	2021
	(Unaudited)	
<b>NET INCOME</b>	<b>₱1,587,122</b>	<b>₱969,233</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:</i>		
Share in translation adjustment of associates	67,535	45,923
Net valuation losses on financial assets at FVOCI	(3,888)	(67,885)
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	63,647	(21,962)
<i>Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:</i>		
Asset revaluation surplus	(95)	(95)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>63,552</b>	<b>(22,057)</b>
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>₱1,650,674</b>	<b>₱947,176</b>
Total comprehensive income attributable to:		
Equity holders of the parent	₱1,117,410	₱562,040
NCI	533,264	385,136
	<b>₱1,650,674</b>	<b>₱947,176</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent									Total	NCI	Total
	Capital Stock (Note 14)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment (Note 9)	Cost of Share-based Payment Plan (Note 15)	Asset Revaluation Surplus	Net Valuation Gains (Losses) on Financial Assets at FVOCI	Retained Earnings		Treasury Stock (Note 14)			
							Unappropriated	Appropriated (Note 14)				
<b>Balances at December 31, 2021</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱599,215</b>	<b>₱473,442</b>	<b>₱30,565</b>	<b>₱3,363</b>	<b>₱16,710,460</b>	<b>₱135,000</b>	<b>(₱134,014)</b>	<b>₱32,939,767</b>	<b>₱3,389,433</b>	<b>₱36,329,200</b>
Net income	-	-	-	-	-	-	1,053,858	-	-	1,053,858	533,264	1,587,122
Other comprehensive income (loss)	-	-	67,535	-	(95)	(3,888)	-	-	-	63,552	-	63,552
Total comprehensive income (loss)	-	-	67,535	-	(95)	(3,888)	1,053,858	-	-	1,117,410	533,264	1,650,674
Cost of share-based payment plan (Note 15)	-	-	-	3,415	-	-	-	-	-	3,415	-	3,415
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	95	-	-	95	-	95
<b>Balances at March 31, 2022 (Unaudited)</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱666,750</b>	<b>₱476,857</b>	<b>₱30,470</b>	<b>(₱525)</b>	<b>₱17,764,413</b>	<b>₱135,000</b>	<b>(₱134,014)</b>	<b>₱34,060,687</b>	<b>₱3,922,697</b>	<b>₱37,983,384</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
March 31, 2022

	Equity Attributable to Equity Holders of the Parent										Total	NCI	Total
	Capital Stock (Note 14)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment	Cost of Share-based Payment Plan	Asset Revaluation Surplus	Net Valuation Gains (Losses) on Financial Assets at FVOCI	Retained Earnings		Treasury Stock (Note 14)				
						Unappropriated	Appropriated (Note 14)						
Balances at December 31, 2020	₱6,849,836	₱8,271,900	₱381,991	₱441,589	₱30,948	₱57,771	₱14,952,425	₱189,950	(₱134,014)	₱31,042,396	₱3,554,393	₱34,596,789	
Net income	-	-	-	-	-	-	584,097	-	-	584,097	385,136	969,233	
Other comprehensive income (loss)	-	-	45,923	-	(95)	(67,885)	-	-	-	(22,057)	-	(22,057)	
Total comprehensive income (loss)	-	-	45,923	-	(95)	(67,885)	584,097	-	-	562,040	385,136	947,176	
Cost of share-based payment plan	-	-	-	7,452	-	-	-	-	-	7,452	-	7,452	
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	95	-	-	95	-	95	
Balances at March 31, 2021 (Unaudited)	₱6,849,836	₱8,271,900	₱427,914	₱449,041	₱30,853	(₱10,114)	₱15,536,617	₱189,950	(₱134,014)	₱31,611,983	₱3,939,529	₱35,551,512	

See accompanying Notes to Unaudited Consolidated Financial Statements.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Amounts in Thousands)**

	2022	2021
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱2,086,373	₱1,449,312
Adjustments for:		
Depreciation, amortization and depletion (Notes 8 and 24)	409,669	373,648
Equity in net income of associates (Note 9)	(305,181)	(114,926)
Loss (gain) on:		
Changes in fair value of financial assets at FVTPL (Notes 7 and 27)	150,970	104,642
Write-off of input Value Added Tax (VAT)	21,103	-
Sale of financial assets at FVOCI (Note 27)	1,645	(1,088)
Interest expense (Notes 12 and 26)	34,490	35,478
Movements in:		
Pension liability	32,697	30,593
Deferred income	(1,048)	(1,048)
Interest income (Note 25)	(20,305)	(67,251)
Unrealized foreign exchange gains - net	(17,303)	(12,473)
Accretion of interest on:		
Lease liabilities (Notes 26 and 30)	13,655	13,625
Provision for mine rehabilitation and decommissioning (Notes 13 and 26)	3,563	2,726
Long-term payable (Note 26)	77	150
Provision for impairment losses on input VAT	8,092	-
Dividend income (Notes 7 and 27)	(6,864)	(4,374)
Cost of share-based payment plan (Notes 15 and 23)	3,415	7,452
Operating income before working capital changes	2,415,048	1,816,466
Decrease (increase) in:		
Trade and other receivables	23,396	(296,698)
Inventories	(381,769)	(213,579)
Prepayments and other current assets	205,950	(247,198)
Decrease in trade and other payables	(241,871)	(515,384)
Net cash flows from operating activities	2,020,754	543,607
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of:		
Financial assets at (Note 7):		
FVOCI	961,167	2,208,818
FVTPL	903,907	1,672,952
Amortized cost	-	20,000
Property and equipment	9	-
Acquisitions of:		
Financial assets at (Note 7):		
FVTPL	(896,526)	(1,818,723)
FVOCI	(490,150)	(2,180,080)
Property and equipment (Note 8)	(474,629)	(262,392)
Dividends received	259,842	3,011
Increase in:		
Other noncurrent assets	(127,650)	(117,454)
Geothermal exploration and evaluation assets	(13,895)	(7,574)
Interest received	20,880	54,876
Net cash flows from (used in) investing activities	142,955	(426,566)

(Forward)



NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
March 31, 2022

	<b>2022</b>	<b>2021</b>
	(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Cash dividends	<b>(₱1,975,000)</b>	(₱700,000)
Interest	<b>(16,969)</b>	(21,858)
Principal portion of lease liabilities (Note 30)	<b>(14,376)</b>	(19,969)
Availments of long-term debt	<b>123,925</b>	13,356
Net cash flows used in financing activities	<b>(1,882,420)</b>	(728,471)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>281,289</b>	(611,430)
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>10,826,806</b>	11,835,201
<b>CASH AND CASH EQUIVALENTS AT MARCH 31 (Note 4)</b>	<b>₱11,108,095</b>	₱11,223,771

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## **NICKEL ASIA CORPORATION AND SUBSIDIARIES**

### **NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)**

#### **1. Corporate Information**

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

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

#### The Subsidiaries

##### *Hinatuan Mining Corporation (HMC)*

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

##### *Cagdianao Mining Corporation (CMC)*

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

##### *Dinapigue Mining Corporation (DMC)*

DMC was registered with the SEC on October 9, 1998, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits in Dinapigue, Isabela. Currently, DMC is transitioning from construction and development stage to production stage.

##### *Samar Nickel Mining Resources Corporation (SNMRC)*

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

##### *CDTN Services Company Inc. (CDTN)*

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

connection with construction or manufacturing, warehousing, distribution or disposal activities, or other similar activities.

*Coral Pearl Developments Limited (CPDL)*

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

*La Costa Shipping and Lighterage Corporation (LCSLC)*

LCSLC was registered with the SEC on October 23, 1992, is a 100% owned subsidiary of the Parent Company through HMC, and is primarily engaged in the chartering out of LCT and providing complete marine services. LCSLC was acquired by HMC in April 2010. In May 2014, the Board of Directors (BOD) of LCSLC authorized the sale of all of its LCTs to HMC for a consideration.

*Falck Exp Inc. (FEI)*

FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (TMC), and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue was approved. Final dissolution will take place after the approval of FEI's application with the SEC. As at May 5, 2022, FEI is still waiting for the approval of SEC.

*Cordillera Exploration Co., Inc. (CExCI)*

CExCI was registered with the SEC on October 19, 1994, is a 71.25% owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. CExCI is currently not engaged in any development or commercial production activities.

*Newminco Pacific Mining Corporation (Newminco)*

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

*Taganito Mining Corporation*

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

*Rio Tuba Nickel Mining Corporation (RTN)*

RTN was registered with the SEC on July 15, 1969, is a 60% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore

located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. RTN also provides services which involves the handling, hauling and transportation of materials required in the processing operations of Coral Bay Nickel Corporation (CBNC) up to May 2021.

*Emerging Power Inc. (EPI)*

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

*Mindoro Geothermal Power Corporation (MGPC)*

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

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

On September 6, 2021, MGPC entered into a Memorandum of Agreement with Symba Renewable Energy (SRE) on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago geothermal field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system. Currently, the electrical submersible pump to be used for the flow test is being manufactured based on the updated temperature data from the geothermal wells.

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

*Biliran Holdings Inc. (BHI)*

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

*Northern Palawan Power Generation Corporation (NPPGC)*

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

*Jobin-SQM, Inc. (JSI)*

JSI was registered with the SEC on January 6, 2010, wherein the Parent Company has 38% direct ownership and 44.87% indirect ownership through EPI. JSI is primarily engaged in

power business, including but not limited to power generation, power trading and supply to retail customers and end users. JSI was acquired by EPI on September 11, 2015.

In January 2019, JSI received the Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) for Phases 1 and 2 - 32MW of the Solar Project, valid for a period of five (5) years from November 2016 to November 2021 until revoked or suspended. The COC was issued subsequent to the authorization granted by the ERC to JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW Solar Project to the Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation in December 2018. In November 2021, pursuant to JSI's COC renewal application, the ERC extended the Provisional Authority to Operate (PAO) for Phases 1 and 2 for a period of one (1) year or up to November 2022.

Moreover, in June 2021, the ERC granted a PAO for JSI's Phase 3A - 30MW for one (1) year or up to June 2022. As at March 31, 2022, Phases 1, 2 and 3A of the Solar Project with total capacity of 62MW are in commercial operations. The remaining Phase 3B - 38MW is currently under construction and expected to be completed by second quarter of 2022.

On June 17, 2020, EPI sold its 10% investment in JSI to TBEA International Engineering Co., Ltd. (TBEA) for ₱144.3 million. On March 29, 2021, EPI partially paid its outstanding loan from the Parent Company by way of dation in payment of EPI's right and interest equivalent to 38% of JSI's shares of stock.

#### *Biliran Geothermal Inc. (BGI)*

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

As at March 31, 2022, there are a total of eight (8) wells drilled, with vertical, deviated or directional well tracks. BGI has continued to conduct activities for maintenance of the existing wells and secure the necessary permits and licenses related to the project.

#### Coronavirus Disease (COVID-19) Outbreak

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation (PP) No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, PP No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021.

These have caused disruptions to businesses and economic activities; however, the Group has determined that these series of events have not materially affected its financial position

as at March 31, 2022 and December 31, 2021 and its financial performance and cash flows for the periods then ended.

As at May 5, 2022, Metro Manila is under Alert level 1.

The unaudited interim consolidated financial statements as at March 31, 2022 and December 31, 2021 and for the three-month period ended March 31, 2022 and 2021, were authorized for issuance by the Parent Company's BOD on May 5, 2022.

## 2. Basis of Preparation and Consolidation and Statement of Compliance

### Basis of Preparation

The accompanying unaudited interim consolidated financial statements of the Group as at March 31, 2022 and for the three-month period ended March 31, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Accordingly, the unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at December 31, 2021.

### Basis of Consolidation

The unaudited interim consolidated financial statements include the balances of the subsidiaries and equity share in the net income or losses of associates:

	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2022	March 31, 2021
<i>Subsidiaries</i>				
HMC	Philippines	Mining and Services	<b>100.00%</b>	100.00%
CMC	Philippines	Mining	<b>100.00%</b>	100.00%
DMC	Philippines	Mining	<b>100.00%</b>	100.00%
SNMRC	Philippines	Mining	<b>100.00%</b>	100.00%
CDTN	Philippines	Services	<b>100.00%</b>	100.00%
CPDL	BVI	Services	<b>100.00%</b>	100.00%
LCSLC <sup>(a)</sup>	Philippines	Services	<b>100.00%</b>	100.00%
FEI <sup>(b)</sup>	Philippines	Mining	<b>88.00%</b>	88.00%
EPI	Philippines	Renewable Energy Developer	<b>86.29%</b>	86.29%
MGPC <sup>(c)</sup>	Philippines	Renewable Energy Developer	<b>86.29%</b>	86.29%
BHI <sup>(c)</sup>	Philippines	Services	<b>86.29%</b>	86.29%
NPPGC <sup>(c)</sup>	Philippines	Power Generation	<b>86.29%</b>	86.29%
JSI <sup>(c, d)</sup>	Philippines	Power Generation	<b>82.87%</b>	82.87%
CExCI	Philippines	Mining	<b>71.25%</b>	71.25%
Newminco <sup>(e)</sup>	Philippines	Mining	<b>71.25%</b>	71.25%
TMC	Philippines	Mining and Services	<b>65.00%</b>	65.00%
RTN	Philippines	Mining and Services	<b>60.00%</b>	60.00%
BGI <sup>(c)</sup>	Philippines	Power Generation	<b>51.77%</b>	51.77%

	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2022	March 31, 2021
<i>Associates</i>				
THNC	Philippines	Manufacturing	10.00%	10.00%
CBNC	Philippines	Manufacturing	10.00%	10.00%

- (a) Indirect ownership through HMC  
(b) Indirect ownership through HMC, CMC and TMC  
(c) Indirect ownership through EPI  
(d) Partially disposed to NAC on March 29, 2021  
(e) Indirect ownership through CExCI

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

#### *Subsidiaries*

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

The Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.



### *NCI*

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share in the net assets acquired is recognized as an equity transaction.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

### Statement of Compliance

The unaudited interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021, except for the adoption of the following amendments to existing standards and/or interpretations, which were effective beginning January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a First-Time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

The amendments have no impact on the financial statements of the Group.



**Standards and Interpretations Issued but not yet Effective**

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*Deferred Effectivity*

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

The Group will continue to evaluate the impact of the standards, interpretations and amendments in its consolidated financial statements for the year 2022. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

**3. Seasonality of Operations**

Mining operations at the majority of the Group's mines are suspended and are often unable to load ore into shipping vessels during the rainy season. This seasonality results in quarter-to-quarter volatility in the Group's operating results with more revenue being earned and more expenses being incurred in the second and third fiscal quarters than in the first and fourth fiscal quarters.

**4. Cash and Cash Equivalents**

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Cash on hand and with banks	<b>₱2,892,903</b>	₱1,371,315
Cash under managed funds	<b>544,631</b>	729,572
Cash equivalents	<b>7,670,561</b>	8,725,919
	<b>₱11,108,095</b>	₱10,826,806

## 5. Trade and Other Receivables

Trade and other receivables amounting to ₱33.2 million and ₱33.1 million as at March 31, 2022 and December 31, 2021, respectively, were impaired and fully provided for with allowance for expected credit losses (ECL).

The aging analysis of the Group's trade and other receivables as at March 31, 2022 and December 31, 2021 are summarized below:

March 31, 2022 (Unaudited)	Neither Past Due Nor Impaired (30 days)	Past Due But Not Impaired (31-180 days)	Past Due and Individually Impaired (> 180 days)	Total
<b>Trade and other receivables:</b>				
Trade (see Note 29)	₱1,132,903	₱149,328	₱20,528	₱1,302,759
Current portion of loan receivable	202,772	–	–	202,772
Advances to officers and employees	44,254	3,328	288	47,870
Interest receivable	15,058	–	–	15,058
Amounts owed by related parties (see Note 29)	3,410	–	4,228	7,638
Dividend receivables	2,273	–	–	2,273
Others	34,380	106,441	8,191	149,012
<b>Total</b>	<b>₱1,435,050</b>	<b>₱259,097</b>	<b>₱33,235</b>	<b>₱1,727,382</b>

December 31, 2021 (Audited)	Neither Past Due Nor Impaired (30 days)	Past Due But Not Impaired (31-180 days)	Past Due and Individually Impaired (> 180 days)	Total
<b>Trade and other receivables:</b>				
Trade (see Note 29)	₱1,069,832	₱175,530	₱20,405	₱1,265,767
Current portion of loan receivable	202,772	–	–	202,772
Advances to officers and employees	41,004	2,727	288	44,019
Interest receivable	15,633	–	–	15,633
Amounts owed by related parties (see Note 29)	4,193	–	4,228	8,421
Dividend receivables	255,251	–	–	255,251
Others	110,026	94,128	8,191	212,345
<b>Total</b>	<b>₱1,698,711</b>	<b>₱272,385</b>	<b>₱33,112</b>	<b>₱2,004,208</b>

## 6. Inventories

As at March 31, 2022 and December 31, 2021, inventories amounting to ₱85.8 million were assessed to be impaired and were provided for with allowance for impairment losses. There was no provision for and reversal of allowance for impairment losses on inventories for the three months ended March 31, 2022 and 2021.

As at March 31, 2022 and December 31, 2021, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱260.1 million and ₱140.7 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱360.7 million and ₱309.4 million, respectively.

## 7. Financial Assets

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Quoted instruments						
Debt securities	₱3,675,319	₱645,734	₱460,000	₱3,459,091	₱1,122,284	₱460,000
Equity securities	1,695,082	–	–	2,040,037	–	–
Unquoted equity instruments	498,765	–	–	498,765	–	–
	<b>₱5,869,166</b>	<b>₱645,734</b>	<b>₱460,000</b>	<b>₱5,997,893</b>	<b>₱1,122,284</b>	<b>₱460,000</b>

The Group's financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, mutual funds, golf club shares and debt securities which are either unquoted or with quoted market prices. Quoted and unquoted instruments are carried either at fair market value or at amortized cost as at the end of the financial reporting period.

The movements in financial assets follow:

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Balances at January 1	₱5,997,893	₱1,122,284	₱460,000	₱3,753,448	₱2,548,760	₱210,000
Additions	896,526	490,150	–	5,721,442	5,467,059	350,000
Disposals	(903,907)	(962,812)	–	(3,640,683)	(6,839,370)	–
Redemption	–	–	–	–	–	(100,000)
Effect of changes in foreign exchange rate	29,624	–	–	94,282	–	–
Net valuation gains (losses) on financial assets	(150,970)	(3,888)	–	69,404	(54,165)	–
Balances at end of period	<b>5,869,166</b>	<b>645,734</b>	<b>460,000</b>	<b>5,997,893</b>	<b>1,122,284</b>	<b>460,000</b>
Less noncurrent portion	728,783	–	460,000	731,813	–	460,000
Current portion	<b>₱5,140,383</b>	<b>₱645,734</b>	<b>₱–</b>	<b>₱5,266,080</b>	<b>₱1,122,284</b>	<b>₱–</b>

For the three months ended March 31, 2022 and 2021, dividend income from equity securities amounted to ₱6.9 million and ₱4.4 million, respectively (see Note 27), while interest income from debt securities amounted to ₱10.3 million and ₱58.6 million, respectively (see Note 25).

## 8. Property and Equipment

During the three-month period ended March 31, 2022 and 2021, the Group acquired assets with a cost of ₱474.6 million and ₱262.4 million, respectively, including construction in-progress.

Depreciation, amortization and depletion expense for the three months ended March 31, 2022 and 2021 amounted to ₱394.8 million and ₱368.6 million, respectively (see Note 24).

As at March 31, 2022 and December 31, 2021, there were no property and equipment pledged as collateral for the Group's borrowings.

## 9. Investments in Associates

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
THNC	<b>₱3,119,104</b>	₱2,904,105
CBNC	<b>1,078,084</b>	908,449
	<b>₱4,197,188</b>	₱3,812,554

The movements in investments in associates follow:

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	THNC	CBNC	Total	THNC	CBNC	Total
Cost at January 1	₱1,974,700	₱724,410	₱2,699,110	₱1,974,700	₱724,410	₱2,699,110
Accumulated equity in net earnings (losses):						
Balances at January 1	392,588	(65,307)	327,281	(19,854)	39,092	19,238
Equity in net income	175,701	129,480	305,181	412,442	145,421	557,863
Dividends declared	-	-	-	-	(249,820)	(249,820)
	<b>568,289</b>	<b>64,173</b>	<b>632,462</b>	392,588	(65,307)	327,281
Share in cumulative translation adjustment:						
Balances at January 1	536,817	249,346	786,163	391,806	83,757	475,563
Movements	39,298	40,155	79,453	145,011	165,589	310,600
	<b>576,115</b>	<b>289,501</b>	<b>865,616</b>	536,817	249,346	786,163
Balances at end of period	<b>₱3,119,104</b>	<b>₱1,078,084</b>	<b>₱4,197,188</b>	₱2,904,105	₱908,449	₱3,812,554

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱198.9 million and ₱186.9 million as at March 31, 2022 and December 31, 2021, respectively.

### **THNC**

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any and all ingredient and products and by-products, wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach facility. TMC also provides services related to the handling, hauling and transportation of materials required in the processing operations of THNC. THNC started commercial operations in October 2013.

### **CBNC**

CBNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on April 4, 2002. CBNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide wherein RTN has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility. The agreement provides that it will terminate until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. Aside from supplying ore and limestone, RTN

also provided ancillary services to Coral Bay HPAL facility until May 2021. Then starting June 2021, CDTN took over and provides ancillary services to Coral Bay HPAL facility.

The net assets of THNC and CBNC amounted to ₱28,810.0 million and ₱29,047.9 million, respectively, as at March 31, 2022, and ₱26,660.0 million and ₱27,351.5 million, respectively, as at December 31, 2021. The results of THNC's and CBNC's operations were net income of ₱1,757.0 million and ₱1,294.8 million, respectively, for the three months ended March 31, 2022, and net income of ₱613.1 million and ₱536.1 million, respectively, for the three months ended March 31, 2021. The Parent Company's share in cumulative translation adjustment amounted to ₱666.7 million and ₱599.2 million as at March 31, 2022 and December 31, 2021, respectively, and its equity in net income of associates amounted to ₱305.2 million and ₱114.9 million for the three months ended March 31, 2022 and 2021, respectively.

## 10. Geothermal Exploration and Evaluation Assets

Geothermal exploration and evaluation assets represent the accumulated costs incurred in connection with the exploration and development activities for the Montelago Geothermal Project. The recovery of these costs depends upon determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities.

As at March 31, 2022 and December 31, 2021, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

## 11. Trade and Other Payables

Trade and other payables include amounts payable to regular suppliers, accrued expenses, government payables and other payables. Trade, accrued expenses and other payables, excluding amounts due to Orka Geothermal Investments Pte. Ltd (OGIPL) and Biliran Geothermal Holdings Inc. (BGHI), which has no fixed repayment date (see Note 29), are noninterest-bearing and are generally settled in one (1) year. Government payables include withholding taxes which are normally settled within ten (10) to fifteen (15) days after the end of each financial reporting month or thirty (30) days after the end of each financial reporting quarter, and fringe benefit tax which are normally settled within thirty (30) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore, limestone and quarry materials were shipped/delivered. Royalties are paid on or before the deadline agreed with the Mines and Geosciences Bureau or other parties.

## 12. Short-term and Long-term Debts

### Short-term debts

#### *Security Bank Corporation (SBC)*

On September 29, 2020, SBC approved the renewal of EPI's original loan facility to the extent of ₱1,500.0 million. On July 20, 2020 and September 10, 2020, EPI made drawdowns from

the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively. Proceeds of the loan drawdowns were used by EPI to settle the promissory notes under the original SBC loan facility, which matured in 2020.

At maturity date, EPI requested another approval from SBC for the renewal of their original loan facility to the extent of ₱1,500.0 million. On July 15, 2021 and September 3, 2021, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively, which was used to settle the promissory notes under the original SBC loan facility, which matured in 2021.

The loan facility is secured by a continuing suretyship of the Parent Company.

Details of the drawdowns are as follows:

Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 15, 2021	July 8, 2022	4.50%	₱300,000	₱2,207
Second	September 3, 2021	August 26, 2022	4.50%	1,200,000	8,803
				₱1,500,000	₱11,010

The carrying amount of short-term debts with SBC, net of unamortized debt issue cost, follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Loans payable	<b>₱1,500,000</b>	₱1,500,000
Less unamortized debt issue cost	<b>(4,315)</b>	(7,084)
<b>Balances at end of period</b>	<b>₱1,495,685</b>	₱1,492,916

Interest incurred in connection with the loans amounted to ₱19.6 million and ₱24.3 million for the three months ended March 31, 2022 and 2021, respectively (see Note 26).

There were no capitalized borrowing costs pertaining to short-term debts for the three months ended March 31, 2022 and 2021.

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise, vis-a-vis such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in

accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at March 31, 2022 and December 31, 2021, EPI has been compliant with the covenants contained in the loan facility and agreements.

Long-term debts

Long-term debts of the following subsidiaries are as follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
TMC	<b>₱860,178</b>	₱847,858
JSI	<b>232,517</b>	108,501
	<b>1,092,695</b>	956,359
Less noncurrent portion:		
TMC	<b>769,633</b>	758,610
JSI	<b>232,517</b>	108,501
	<b>1,002,150</b>	867,111
Current portion	<b>₱90,545</b>	₱89,248

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former an unsecured loan facility amounting to a total of US\$35.0 million at a prevailing one hundred eighty (180)-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 2% spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone.

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

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any Governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all Governmental approvals necessary to perform the obligations. As at March 31, 2022 and December 31, 2021, TMC is in compliance with the restrictions.

Interest expense for the three months ended March 31, 2022 and 2021 amounted to ₱4.6 million and ₱5.0 million, respectively (see Notes 26 and 29).

JSI Loan

In accordance with the Agreement on Shareholder's Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US\$2.2 million to be used for the Phase 3A - 30MW solar project.



Details of the drawdowns are as follows:

Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 23, 2020	June 17, 2025	5.00%	₱60,806	₱456
Second	August 27, 2020	June 17, 2025	5.00%	24,127	181
Third	November 23, 2020	June 17, 2025	5.00%	10,761	81
Fourth	February 26, 2021	June 17, 2025	5.00%	13,422	101
Fifth	January 17, 2022	June 17, 2025	5.00%	124,861	936
				₱233,977	₱1,755

The carrying amount of long-term debts with TBEA, net of unamortized debt issue cost, follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Loans payable	₱233,977	₱109,116
Less unamortized debt issue cost	(1,460)	(615)
Balances at end of period	₱232,517	₱108,501

The capitalized borrowing costs pertaining to long-term debts amounted to ₱2.7 million and ₱1.3 million for the three months ended March 31, 2022 and 2021, respectively.

### 13. Provision for Mine Rehabilitation and Decommissioning

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

For the three months ended March 31, 2022 and 2021, accretion of interest on provision for mine rehabilitation and decommissioning amounted to ₱3.6 million and ₱2.7 million, respectively (see Note 26).



## 14. Equity

### Capital Stock

The capital structure of the Parent Company follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares		
Issued - 13,685,272,117 shares		
Outstanding - 13,630,850,117 shares	<b>₱6,842,636</b>	₱6,842,636
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	<b>7,200</b>	7,200
<b>Total</b>	<b>₱6,849,836</b>	₱6,849,836

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7% per annum.

### Issued Capital Stock

Beginning November 22, 2010, the common shares of the Parent Company were listed and traded in PSE with an initial public offering of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱1.48 per share after the stock dividends.

As at March 31, 2022 and December 31, 2021, a total of 3,793,691,412 common shares and 3,910,132,966 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty-two (82) and eighty-four (84) shareholders, respectively, while the balance of 9,837,158,705 common shares and 9,720,717,151 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

### Dividends

Dividends declared and paid by the Parent Company follows:

Year	Type of Dividend	Date of Declaration	Date of Record	Amount Declared	Dividend per Share	Date of Payment
2022	<i>Cash Dividends</i>					
	Regular	March 10, 2022	March 24, 2022	₱2,317,245	₱0.17	April 7, 2022
	Special	March 10, 2022	March 24, 2022	681,542	0.05	April 7, 2022
2021	<i>Cash Dividends</i>					
	Regular	March 11, 2021	March 25, 2021	₱1,226,777	₱0.09	April 8, 2021
	Special	March 11, 2021	March 25, 2021	1,908,319	0.14	April 8, 2021

### Appropriation of Retained Earnings

#### *Parent Company*

On November 27, 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the

Parent Company. On November 6, 2020, the Parent Company's BOD approved the reversal of the appropriation of up to ₱1,365.0 million which took effect on December 2, 2020, the end of the Parent Company's share buy-back program.

*HMC*

On December 15, 2021, the BOD of HMC approved the reversal of the ₱54.9 million appropriation following the completion of the purchase of mining equipment.

Treasury Stock

On November 27, 2018, the BOD of the Parent Company approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Parent Company's common shares up to an aggregate value of ₱1,500.0 million. As at March 31, 2022 and December 31, 2021, the Parent Company purchased from the market a total of 54,422,000 of its own common shares at an average price of ₱2.4625 per share or a total of ₱134.0 million.

**15. Executive Stock Option Plan (ESOP)**

2018 ESOP

On April 5, 2018, the Plan was approved by the Parent Company's BOD and was ratified by the stockholders on May 28, 2018. On February 18, 2020, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 155.0 million shares, which was further increased to 375.0 million shares, allocated to the Parent Company's eligible participants.
2. The eligible participants are the directors and officers of the Parent Company and its operating subsidiaries, including CExCI, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱4.38, which is equivalent to ₱2.43 after the effect of stock dividends.
4. The Plan was granted on June 15, 2018.
5. The term of the Plan shall be five (5) years and the shares will vest to the participant yearly at a rate of 25% after the first year of the Plan.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair value of the stock option is ₱2.19, which was estimated as at grant date, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the 2018 ESOP at effective grant date:

Grant date	June 15, 2018
Spot price per share	₱5.01
Exercise price	₱4.38
Expected volatility	45.34%
Option life	5.00 years
Dividend yield	2.16%
Risk-free rate	5.93%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Except for the increase in number of shares reserved for the exercise of 2018 ESOP, there have been no modifications or cancellations for the three months ended March 31, 2022 and 2021.

As at March 31, 2022 and December 31, 2021, there are 278,947,780 total option shares granted at an exercise price of ₱2.43.

The movements in the cost of share-based payment plan included in equity are as follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balances at January 1	₱473,442	₱441,589
Stock option expense (see Note 23)	3,415	31,853
Balances at end of period	<b>₱476,857</b>	₱473,442

## 16. Earnings Per Share

The following reflects the income and share data used in the basic and diluted EPS computations:

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	2021
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	<b>₱1,053,858</b>	₱584,097
b. Weighted average number of common shares for basic EPS (in thousands)	<b>13,630,850</b>	13,630,850
c. Weighted average number of common shares adjusted for the effect of dilution (in thousands)	<b>13,630,850</b>	13,630,850
Basic/Diluted EPS	<b>₱0.08</b>	₱0.04

## 17. Cost of Sales

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	2021
	(Unaudited)	
Cost of sale of:		
Ore	<b>₱1,041,460</b>	₱985,173
Limestone	<b>45,475</b>	61,521
Quarry materials	–	1,017
	<b>₱1,086,935</b>	₱1,047,711

Details of cost of sales follow:

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Production overhead	<b>₱641,083</b>	₱566,160
Personnel costs (see Note 23)	<b>293,210</b>	261,380
Depreciation, amortization and depletion (see Note 24)	<b>231,191</b>	220,735
Outside services	<b>220,993</b>	233,540
	<b>1,386,477</b>	1,281,815
Net changes in beneficiated nickel ore and limestone	<b>(299,542)</b>	(234,104)
	<b>₱1,086,935</b>	₱1,047,711

Production overhead consists of fuel, oil and lubricants, materials and supplies, equipment rentals and other miscellaneous charges.

Outside services pertain to services offered by the contractors related to the mining activities of the Group. These services include, but are not limited to, hauling, stevedoring, maintenance, security and equipment rental.

#### 18. Cost of Power Generation

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Depreciation and amortization (see Note 24)	<b>₱66,229</b>	₱53,130
Overhead	<b>16,296</b>	15,275
Outside services	<b>7,131</b>	3,881
Personnel costs (see Note 23)	<b>5,450</b>	5,658
Materials and supplies	<b>1,483</b>	2,332
	<b>₱96,589</b>	₱80,276

Overhead in cost of power generation consists of insurance, taxes and licenses, utilities and other miscellaneous charges.

#### 19. Cost of Services

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Depreciation (see Note 24)	<b>₱27,294</b>	₱28,827
Personnel costs (see Note 23)	<b>23,358</b>	42,776
Overhead	<b>16,059</b>	24,223
Equipment operating cost	<b>6,280</b>	–
Outside services	<b>1,526</b>	1,882
	<b>₱74,517</b>	₱97,708

## 20. General and Administrative Expenses

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Personnel costs (see Note 23)	<b>₱89,895</b>	₱93,130
Depreciation and amortization (see Note 24)	<b>48,742</b>	37,815
Taxes and licenses	<b>32,898</b>	25,797
Donation	<b>20,000</b>	–
Outside services	<b>17,212</b>	12,923
Supplies	<b>10,887</b>	6,533
Professional fees	<b>9,597</b>	9,807
Publicity and promotions	<b>7,461</b>	7,794
Dues and subscriptions	<b>7,150</b>	7,657
Transportation and travel	<b>5,532</b>	4,785
Communications, light and water	<b>3,990</b>	4,314
Repairs and maintenance	<b>1,827</b>	6,403
Entertainment, amusement and recreation	<b>1,495</b>	1,624
Others	<b>10,838</b>	10,111
	<b>₱267,524</b>	<b>₱228,693</b>

Other general and administrative expenses are composed of other service fees and other numerous transactions with minimal amounts.

## 21. Excise Taxes and Royalties

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Excise taxes	<b>₱135,320</b>	₱116,065
Royalties	<b>82,407</b>	68,001
	<b>₱217,727</b>	<b>₱184,066</b>

## 22. Shipping and Loading Costs

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Outside services	<b>₱68,738</b>	₱118,383
Depreciation and amortization (see Note 24)	<b>33,675</b>	30,806
Materials and supplies	<b>30,892</b>	40,626
Personnel costs (see Note 23)	<b>17,988</b>	17,771
Other services and fees	<b>2,603</b>	4,285
	<b>₱153,896</b>	<b>₱211,871</b>

### 23. Personnel Costs

<b>For the three-month period ended March 31</b>		
	2022	2021
	(Unaudited)	
Salaries, wages and employee benefits	<b>₱426,486</b>	₱413,263
Cost of share-based payment plan (see Note 15)	<b>3,415</b>	7,452
	<b>₱429,901</b>	₱420,715

The amounts of personnel costs are distributed as follows:

<b>For the three-month period ended March 31</b>		
	2022	2021
	(Unaudited)	
Cost of :		
Sales (see Note 17)	<b>₱293,210</b>	₱261,380
Services (see Note 19)	<b>23,358</b>	42,776
Power generation (see Note 18)	<b>5,450</b>	5,658
General and administrative (see Note 20)	<b>89,895</b>	93,130
Shipping and loading costs (see Note 22)	<b>17,988</b>	17,771
	<b>₱429,901</b>	₱420,715

### 24. Depreciation, Amortization and Depletion

The amounts of depreciation, amortization and depletion expense, including amortization of right-of-use (ROU) assets, are distributed as follows:

<b>For the three-month period ended March 31</b>		
	2022	2021
	(Unaudited)	
Cost of:		
Sales (see Note 17)	<b>₱231,191</b>	₱220,735
Power generation (see Note 18)	<b>66,229</b>	53,130
Services (see Note 19)	<b>27,294</b>	28,827
General and administrative (see Note 20)	<b>48,742</b>	37,815
Shipping and loading costs (see Note 22)	<b>33,675</b>	30,806
Others	<b>2,538</b>	2,335
	<b>₱409,669</b>	₱373,648

The above is distributed as follows:

<b>For the three-month period ended March 31</b>		
	2022	2021
	(Unaudited)	
Property and equipment (see Note 8)	<b>₱394,785</b>	₱368,557
Computer software under "Other noncurrent assets"	<b>14,884</b>	5,091
	<b>₱409,669</b>	₱373,648

## 25. Finance Income

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Interest income from:		
Financial assets at (see Note 7):		
FVOCI	<b>₱6,164</b>	₱47,784
Amortized cost	<b>3,444</b>	1,932
FVTPL	<b>705</b>	8,846
Cash and cash equivalents and others	<b>7,678</b>	4,193
Loans	<b>1,967</b>	4,149
Long-term negotiable instruments	<b>347</b>	347
	<b>₱20,305</b>	<b>₱67,251</b>

## 26. Finance Expenses

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Interest expense on:		
Short-term debts (see Note 12)	<b>₱19,644</b>	₱24,321
Pension	<b>10,234</b>	6,174
Long-term debts (see Notes 12 and 29)	<b>4,612</b>	4,983
Accretion of interest on:		
Lease liabilities (see Note 30)	<b>13,655</b>	13,625
Provision for mine rehabilitation and decommissioning (see Note 13)	<b>3,563</b>	2,726
Long-term payable	<b>77</b>	150
Guarantee service fee (see Note 29)	<b>9,535</b>	9,167
	<b>₱61,320</b>	<b>₱61,146</b>

## 27. Other Income (Charges) - Net

	For the three-month period ended March 31	
	2022	2021
	(Unaudited)	
Foreign exchange gains - net	P188,252	P107,250
Gain (loss) on:		
Changes in fair value of financial assets at FVTPL (see Note 7)	(150,970)	(104,642)
Write-off of input VAT	(21,103)	-
Sale of financial assets at FVOCI	(1,645)	1,088
Rentals and accommodations	18,269	1,761
Provision for impairment losses on input VAT	(8,092)	-
Dividend income (see Note 7)	6,864	4,374
Trust fee	(6,427)	(5,832)
Others	1,112	7,027
	<b>P26,260</b>	<b>P11,026</b>

## 28. Revenue from Contracts with Customers

### Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by location of the customers for sale of ore, limestone and quarry materials, type of services rendered for sale of services and others and source of electricity for sale of power for the three months ended March 31, 2022 and 2021:

	For the three-month period ended March 31, 2022			
	(Unaudited)			
	China	Local	Japan	Total
Sale of (see Note 29):				
Ore	P1,424,674	P1,745,261	P154,301	P3,324,236
Limestone	-	58,765	-	58,765
	<b>P1,424,674</b>	<b>P1,804,026</b>	<b>P154,301</b>	<b>P3,383,001</b>

	For the three-month period ended March 31, 2021			
	(Unaudited)			
	China	Local	Japan	Total
Sale of (see Note 29):				
Ore	P1,436,646	P989,192	P396,619	P2,822,457
Limestone	-	78,586	-	78,586
Quarry materials	-	585	-	585
	<b>P1,436,646</b>	<b>P1,068,363</b>	<b>P396,619</b>	<b>P2,901,628</b>



<b>For the three-month period ended March 31</b>		
	<b>2022</b>	<b>2021</b>
(Unaudited)		
<b>Services and others</b> (see Note 29)		
Materials handling and others	<b>₱170,755</b>	<b>₱189,199</b>
 <b>Sale of power</b>		
Solar	<b>₱99,100</b>	<b>₱35,337</b>
Diesel	<b>40,279</b>	<b>41,416</b>
	<b>₱139,379</b>	<b>₱76,753</b>

## 29. Related Party Transactions

Set out below are the Group's transactions with related parties for the three-month period ended March 31, 2022 and 2021, including the corresponding assets and liabilities arising from the said transactions as at March 31, 2022 (Unaudited) and December 31, 2021 (Audited):

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Long-term Debt (see Note 12)		Terms	Conditions
	March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021		
<i>Stockholders</i>														
<b>Pacific Metals Co., Ltd.</b>														
Sale of ore	₱154,301	₱300,267	₱-	₱119,426	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	80% to 90% upon receipt of documents and 20% to 10% after the final dry weight and applicable assay have been determined; noninterest-bearing	A
Despatch income and others	1,592	-	-	579	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	A
<b>Sumitomo Metal Mining Co., Ltd.</b>														
Sale of ore	-	96,352	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; non-interest bearing	A
Guarantee service fee (see Note 26)	9,535	9,167	-	-	1,495	10,547	-	-	-	-	-	-	Every twenty first (21st) of February, March, August and September	A
<i>With Common Stockholders</i>														
<b>Manta Equities, Inc.</b>														
Rentals, dues and utilities	10,284	10,291	-	-	123	686	-	-	-	-	-	-	Payable upon billing; noninterest-bearing	A

(Forward)

**NICKEL ASIA CORPORATION**  
17-Q Quarterly Report  
March 31, 2022

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Long-term Debt (see Note 12)		Terms	Conditions
	March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021		
<b>Manta Equities, Inc.</b>														
Rental deposits	<b>₱9,129</b>	₱9,129	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Collectible at the end of the lease; noninterest-bearing	A
Short-term advances	<b>36</b>	-	-	-	-	-	<b>2</b>	<b>1</b>	-	-	-	-	Collectible upon billing; noninterest-bearing	A
<i>Associates</i>														
<b>CBNC</b>														
Sale of ore and limestone	<b>821,201</b>	453,704	<b>419,967</b>	315,433	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	A
Materials handling	<b>21,306</b>	82,613	<b>20,732</b>	32,239	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	A
Infralase and throughput	<b>4,179</b>	-	<b>24,856</b>	6,024	-	-	-	-	-	-	-	-	Collectible at the end of February and August; noninterest-bearing	A
Other income	<b>4,124</b>	30,570	<b>70,084</b>	93,079	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	A
<b>THNC</b>														
Sale of ore	<b>971,538</b>	592,370	<b>339,160</b>	186,900	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	A
Sale of quarry materials	-	585	-	10,144	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	A
Rendering of service	<b>28,932</b>	31,089	<b>57,115</b>	27,824	-	-	-	-	-	-	-	-	Semi-annual term; noninterest-bearing	A

(Forward)

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
March 31, 2022

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Long-term Debt (see Note 12)		Terms	Conditions
	March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021		
<b>THNC</b>														
Materials handling	<b>₱60,254</b>	₱63,466	<b>₱23,077</b>	₱13,456	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	Fifteen (15) days term; noninterest-bearing	A
Rental income	<b>1,765</b>	1,735	<b>₱351</b>	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	A
Rental deposit	-	-	-	-	<b>3,472</b>	3,352	-	-	-	-	-	-	Collectible at the end of the lease term; noninterest-bearing	A
Loan facility	-	-	-	-	-	-	-	-	-	-	<b>860,178</b>	847,858	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread	B
Interest expense on long-term debt (see Notes 12 and 26)	<b>4,612</b>	4,983	-	-	<b>7,575</b>	3,582	-	-	-	-	-	-	Payable semi-annually on April 10 and October 10	A
Short-term advances	-	-	-	-	-	-	<b>2,723</b>	3,507	<b>60</b>	-	-	-	Collectible/payable upon billing; noninterest-bearing; with allowance for ECL of ₱4.2 million as at March 31, 2022	A

(Forward)

**NICKEL ASIA CORPORATION**  
17-Q Quarterly Report  
March 31, 2022

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Long-term Debt (see Note 12)		Terms	Conditions
	March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021		
<i>Affiliates</i>														
<b>OGIPL</b>														
Short-term advances	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱2,341,587	₱2,341,587	₱-	₱-	Collectible upon billing; noninterest-bearing	A
<b>Orka Geothermal Holdings, Inc.</b>														
Short-term advances	-	-	-	-	-	-	666	666	2,225,413	2,225,413	-	-	Collectible upon billing; noninterest-bearing	A
<b>BGHI</b>														
Short-term advances	-	-	-	-	-	-	19	19	908,049	908,049	-	-	Collectible upon billing; noninterest-bearing	A
<b>TBEA</b>														
Loan facility	123,925	13,356	-	-	-	-	-	-	-	-	232,517	108,501	Principal is payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025; interest-bearing at 5.00% p.a.	A
Interest expense on long-term debt (see Note 13)	2,720	1,293	-	-	9,894	7,264	-	-	-	-	-	-	Payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025	A
			<b>₱955,342</b>	<b>₱805,104</b>	<b>₱22,559</b>	<b>₱25,431</b>	<b>₱3,410</b>	<b>₱4,193</b>	<b>₱5,475,109</b>	<b>₱5,475,049</b>	<b>₱1,092,695</b>	<b>₱956,359</b>		

A - Unsecured; no guarantee  
B - Unsecured; with guarantee

Terms and Conditions of Transactions with Related Parties

All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at March 31, 2022 and December 31, 2021 pertain to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on THNC's and EPI's Loan Obligations, there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the financial reporting period through the examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel

The Group considers as key management personnel all employees holding managerial positions up to the chairman. The short-term benefits of key management personnel of the Group for the three months ended March 31, 2022 and 2021 amounted to about ₱66.8 million and ₱70.8 million, respectively.

### 30. Leases

The lease liabilities as at March 31, 2022 and December 31, 2021, discounted using incremental borrowing rate, are as follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Lease liabilities	<b>₱613,223</b>	₱613,944
Less noncurrent portion	<b>582,309</b>	578,190
Current portion	<b>₱30,914</b>	₱35,754

The rollforward analysis of lease liabilities as at March 31, 2022 and December 31, 2021 follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balances at January 1	<b>₱613,944</b>	₱615,904
Accretion of interest (see Note 26)	<b>13,655</b>	54,554
Payments	<b>(14,376)</b>	(56,514)
Balances at end of period	<b>₱613,223</b>	₱613,944

For the three months ended March 31, 2022 and 2021, accretion of interest on lease liabilities amounted to ₱13.7 million and ₱13.6 million, respectively (see Note 26), while the amortization of ROU assets included in "Property and equipment" amounted to ₱10.6 million and ₱10.5 million, respectively.

### 31. Income Taxes

The provision for (benefit from) income tax shown in the unaudited interim consolidated statements of income includes:

	<b>For the three-month period ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	(Unaudited)	
Current	<b>₱579,409</b>	₱443,349
Deferred	<b>(80,158)</b>	36,730
	<b>₱499,251</b>	₱480,079

### 32. Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

#### *Cash and Cash Equivalents and Short-term Cash Investments*

The carrying amounts of cash and cash equivalents and short-term cash investments approximate their fair value due to the short-term nature and maturity of these financial instruments.

#### *Trade and Other Receivables, Trade and Other Payables and Short-term Debts*

Similarly, the carrying amounts of trade and other receivables, trade and other payables and short-term debts approximate their fair values due to the short-term nature of these accounts.

#### *Financial Assets at FVTPL and at FVOCI*

The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. Upon adoption of PFRS 9, the Group used the net asset approach with consideration of lack of marketability discount and lack of control discount in determining the fair value of unquoted equity securities since the fair value measurement is unobservable (Level 3).

#### *Financial Assets at Amortized Cost*

The carrying amount of financial assets at amortized cost, which is measured using the effective interest rate (EIR), is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

#### *Loan Receivable*

The carrying amount of loan receivable, which is the transaction price, approximates its fair value.

#### *Long-term Negotiable Instruments*

The carrying amount long-term negotiable instruments approximate their fair values since interest are earned based on long-term cash investment rates.

*Long-term Debt and Long-term Payable*

The fair values of long-term debt and long-term payable are based on the present value of future cash flows discounted using applicable risk free rates for similar types of loans adjusted for credit risk.

Fair Value Hierarchy of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market data (unobservable inputs; Level 3).

As at March 31, 2022 and December 31, 2021, the Group's financial assets in debt and equity securities are classified under Level 1 and 3.

As at March 31, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### **33. Business Segment Information**

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore, limestone and quarry materials.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC, THNC and other parties and leasing of aircraft to World Aviation International Services Corporation.

The power segment is engaged in power generation and exploration for geothermal resources.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group is also using net income (loss) in evaluating total performance. Net income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company.

Segment assets include all operating assets used by a segment and consist principally of cash and cash equivalents, trade and other receivables, inventories, financial assets at FVTPL, at FVOCI and at amortized cost, prepayments and other current assets, property and equipment, investments in associates, geothermal exploration and evaluation assets and other noncurrent assets. Segment liabilities include all operating liabilities and consist



principally of trade and other payables, short-term and long-term debts and other liabilities. Segment assets and liabilities do not include deferred income taxes.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRSs.

There were no changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.

The Group's identified reportable segments are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

Financial information on the operation of the various business segments are set out on next page.

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
March 31, 2022

	March 31, 2022 (Unaudited)												
	Mining					Power		Services			Eliminations	Total	
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC/ CDTN	HMC	Others			
External customers	P-	P-	P971,538	P2,411,463	P-	P99,100	P40,279	P170,755	P-	P-	P-	P-	P3,693,135
Inter-segment revenues	-	-	-	-	-	-	-	5,157	-	148,448	-	(153,605)	-
Total revenues	-	-	971,538	2,411,463	-	99,100	40,279	175,912	-	148,448	-	(153,605)	3,693,135
Cost of sales	6	-	411,754	675,175	-	-	-	-	-	-	-	-	1,086,935
Cost of power generation	-	-	-	-	-	69,265	27,324	-	-	-	-	-	96,589
Cost of services	-	-	-	-	-	-	-	74,517	-	-	-	-	74,517
Excise taxes and royalties	-	-	97,154	120,573	-	-	-	-	-	-	-	-	217,727
Shipping and loading costs	16,619	-	27,233	107,666	-	-	-	-	2,378	-	-	-	153,896
<b>Segment operating earnings (loss)</b>	<b>(P16,625)</b>	<b>P-</b>	<b>P435,397</b>	<b>P1,508,049</b>	<b>P-</b>	<b>P29,835</b>	<b>P12,955</b>	<b>P101,395</b>	<b>(P2,378)</b>	<b>P148,448</b>	<b>P-</b>	<b>(P153,605)</b>	<b>P2,063,471</b>
General and administrative	P19,120	P12,664	P16,582	P23,728	P37,285	P13,828	P-	P5,762	P-	P138,555	P-	P-	P267,524
Finance income	P629	P1,490	P1,899	P4,291	P4	P11	P755	P81	P-	P11,145	P-	P-	P20,305
Finance expenses	P56	P1,023	(P7,416)	P4,405	P5	P32,634	P-	P19,363	P-	P11,250	P-	P-	P61,320
Provision for (benefit from) income tax	P943	P4,689	P109,132	P360,280	P-	P1,160	P-	P-	(P595)	P23,642	P-	P-	P499,251
Net income (loss) attributable to equity holders of the parent	(P37,050)	(P12,215)	P214,410	P736,877	(P37,266)	(P12,475)	P13,710	P69,342	P-	P118,525	P-	P-	P1,053,858
Segment assets	P951,682	P2,018,622	P7,807,906	P6,820,205	P1,417,593	P14,035,482	P1,470,087	P231,461	P19,002	P16,756,320	P-	P-	P51,528,360
Deferred income tax assets - net	37,983	27,049	48,709	108,884	105,836	1,047	-	-	-	46,015	-	-	375,523
<b>Total assets</b>	<b>P989,665</b>	<b>P2,045,671</b>	<b>P7,856,615</b>	<b>P6,929,089</b>	<b>P1,523,429</b>	<b>P14,036,529</b>	<b>P1,470,087</b>	<b>P231,461</b>	<b>P19,002</b>	<b>P16,802,335</b>	<b>P-</b>	<b>P-</b>	<b>P51,903,883</b>
Segment liabilities	P246,595	P333,386	P2,361,971	P1,881,929	P151,325	P7,926,223	P8,852	P61,554	P-	P439,706	P-	P-	P13,411,541
Deferred income tax liabilities	-	-	-	68,606	136,754	98,343	-	-	4,889	200,366	-	-	508,958
<b>Total liabilities</b>	<b>P246,595</b>	<b>P333,386</b>	<b>P2,361,971</b>	<b>P1,950,535</b>	<b>P288,079</b>	<b>P8,024,566</b>	<b>P8,852</b>	<b>P61,554</b>	<b>P4,889</b>	<b>P640,072</b>	<b>P-</b>	<b>P-</b>	<b>P13,920,499</b>
<i>Other segment information:</i>													
Capital expenditures	P31,368	P6,809	P29,441	P24,291	P3,408	P361,167	P3,094	P11,439	P-	P3,612	P-	P-	P474,629
Depreciation, amortization and depletion	P29,212	P46,420	P166,519	P67,828	P10,509	P52,823	P13,800	P242	P2,378	P19,938	P-	P-	P409,669

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
March 31, 2022

	December 31, 2021 (Audited)											
	Mining					Power		Services			Eliminations	Total
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC/ CDTN	HMC	Others		
External customers	₱2,679,029	₱5,099,158	₱12,122,366	₱6,337,013	₱12,548	₱341,437	₱166,494	₱646,070	₱-	₱-	₱-	₱27,404,115
Inter-segment revenues	-	-	-	-	-	-	-	45,298	-	952,449	-	(997,747)
Total revenues	2,679,029	5,099,158	12,122,366	6,337,013	12,548	341,437	166,494	691,368	-	952,449	(997,747)	27,404,115
Cost of sales	1,256,158	1,542,726	2,871,798	1,924,959	16,200	-	-	-	-	-	-	7,611,841
Cost of power generation	-	-	-	-	-	257,306	103,815	-	-	-	-	361,121
Cost of services	-	-	-	-	-	-	-	321,622	-	-	-	321,622
Excise taxes and royalties	241,113	935,101	1,212,237	316,851	627	-	-	-	-	-	-	2,705,929
Shipping and loading costs	251,402	556,109	1,082,783	353,539	2,224	-	-	-	9,513	-	-	2,255,570
Marketing	-	178,470	30,651	-	-	-	-	-	-	-	-	209,121
<b>Segment operating earnings (loss)</b>	<b>₱930,356</b>	<b>₱1,886,752</b>	<b>₱6,924,897</b>	<b>₱3,741,664</b>	<b>(₱6,503)</b>	<b>₱84,131</b>	<b>₱62,679</b>	<b>₱369,746</b>	<b>(₱9,513)</b>	<b>₱952,449</b>	<b>(₱997,747)</b>	<b>₱13,938,911</b>
General and administrative	₱75,799	₱68,021	₱109,775	₱96,044	₱130,630	₱65,452	₱-	₱9,052	₱-	₱591,134	₱-	₱1,145,907
Finance income	₱2,450	₱19,312	₱7,341	₱8,470	₱24	₱141	₱308	₱74	₱-	₱123,955	₱-	₱162,075
Finance expenses	₱1,495	₱4,727	₱20,133	₱14,813	₱1,461	₱141,416	₱-	₱19,363	₱-	₱40,673	₱-	₱244,081
Provision for (benefit from) income tax	₱190,880	₱377,871	₱1,613,485	₱871,191	(₱44,869)	₱2,184	₱-	₱-	(₱6,370)	₱327,908	₱-	₱3,332,280
Net income (loss) attributable to equity holders of the parent	₱672,978	₱1,469,124	₱3,565,558	₱1,910,206	(₱93,571)	(₱148,086)	₱62,994	₱303,522	₱-	₱69,850	₱-	₱7,812,575
Segment assets	₱1,355,658	₱2,446,854	₱11,955,993	₱6,291,416	₱1,406,533	₱13,560,773	₱742,447	₱122,634	₱21,380	₱13,487,448	₱-	₱51,391,136
Deferred income tax assets - net	38,905	31,550	-	108,884	105,836	1,047	-	-	-	23,524	-	309,746
<b>Total assets</b>	<b>₱1,394,563</b>	<b>₱2,478,404</b>	<b>₱11,955,993</b>	<b>₱6,400,300</b>	<b>₱1,512,369</b>	<b>₱13,561,820</b>	<b>₱742,447</b>	<b>₱122,634</b>	<b>₱21,380</b>	<b>₱13,510,972</b>	<b>₱-</b>	<b>₱51,700,882</b>
Segment liabilities	₱301,164	₱521,322	₱3,829,473	₱1,807,701	₱150,480	₱7,776,165	₱8,556	₱27,130	₱-	₱438,263	₱-	₱14,860,254
Deferred income tax liabilities - net	-	-	13,645	68,669	136,754	98,429	-	-	5,483	188,448	-	511,428
<b>Total liabilities</b>	<b>₱301,164</b>	<b>₱521,322</b>	<b>₱3,843,118</b>	<b>₱1,876,370</b>	<b>₱287,234</b>	<b>₱7,874,594</b>	<b>₱8,556</b>	<b>₱27,130</b>	<b>₱5,483</b>	<b>₱626,711</b>	<b>₱-</b>	<b>₱15,371,682</b>
<i>Other segment information:</i>												
Capital expenditures	₱38,172	₱111,766	₱338,863	₱159,962	₱26,670	₱1,088,859	₱-	₱2,191	₱-	₱7,950	₱-	₱1,774,433
Depreciation, amortization and depletion	₱127,661	₱189,356	₱651,852	₱268,065	₱45,597	₱196,062	₱55,876	₱220	₱9,513	₱75,937	₱-	₱1,620,139

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
March 31, 2022

	March 31, 2021 (Unaudited)												
	Mining					Power		Services			Eliminations	Total	
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others			
External customers	₱81,976	₱-	₱714,109	₱2,105,544	₱-	₱35,336	₱41,416	₱189,199	₱-	₱-	₱-	₱-	₱3,167,580
Inter-segment revenues	-	-	-	-	-	-	-	-	-	125,577	(125,577)	-	-
Total revenues	81,976	-	714,109	2,105,544	-	35,336	41,416	189,199	-	125,577	(125,577)	-	3,167,580
Cost of sales	46,378	-	427,301	574,032	-	-	-	-	-	-	-	-	1,047,711
Cost of power generation	-	-	-	-	-	51,361	28,915	-	-	-	-	-	80,276
Cost of services	-	-	-	-	-	-	-	97,708	-	-	-	-	97,708
Excise taxes and royalties	7,378	-	71,411	105,277	-	-	-	-	-	-	-	-	184,066
Shipping and loading costs	24,789	15,504	52,634	116,566	-	-	-	-	2,378	-	-	-	211,871
<b>Segment operating earnings (loss)</b>	<b>₱3,431</b>	<b>(₱15,504)</b>	<b>₱162,763</b>	<b>₱1,309,669</b>	<b>₱-</b>	<b>(₱16,025)</b>	<b>₱12,501</b>	<b>₱91,491</b>	<b>(₱2,378)</b>	<b>₱125,577</b>	<b>(₱125,577)</b>	<b>₱-</b>	<b>₱1,545,948</b>
General and administrative	₱13,265	₱10,710	₱22,184	₱18,936	₱29,880	₱15,267	₱-	₱-	₱-	₱118,451	₱-	₱-	₱228,693
Finance income	₱127	₱4,703	₱1,241	₱1,068	₱1	₱28	₱26	₱-	₱-	₱60,057	₱-	₱-	₱67,251
Finance expenses	₱104	₱1,164	₱4,615	₱2,671	₱9	₱36,683	₱-	₱4,983	₱-	₱10,917	₱-	₱-	₱61,146
Provision for (benefit from) income tax	₱2,241	₱9,179	₱46,822	₱383,905	₱-	₱371	₱-	₱-	(₱713)	₱38,274	₱-	₱-	₱480,079
Net income (loss) attributable to equity holders of the parent	(₱10,460)	(₱23,661)	₱112,346	₱616,192	(₱29,888)	(₱50,016)	₱12,527	₱-	₱-	(₱42,943)	₱-	₱-	₱584,097
Segment assets	₱1,470,586	₱2,757,660	₱8,830,794	₱5,580,672	₱1,385,011	₱12,723,177	₱809,456	₱-	₱37,133	₱14,970,684	₱-	₱-	₱48,565,173
Deferred income tax assets - net	50,787	38,624	60,353	188,983	88,256	364	-	-	-	151,300	-	-	578,667
<b>Total assets</b>	<b>₱1,521,373</b>	<b>₱2,796,284</b>	<b>₱8,891,147</b>	<b>₱5,769,655</b>	<b>₱1,473,267</b>	<b>₱12,723,541</b>	<b>₱809,456</b>	<b>₱-</b>	<b>₱37,133</b>	<b>₱15,121,984</b>	<b>₱-</b>	<b>₱-</b>	<b>₱49,143,840</b>
Segment liabilities	₱237,414	₱474,626	₱2,329,732	₱1,774,120	₱175,698	₱7,604,364	₱9,552	₱-	₱-	₱480,938	₱-	₱-	₱13,086,444
Deferred income tax liabilities	-	-	-	132,863	164,105	99,102	-	-	11,140	98,674	-	-	505,884
<b>Total liabilities</b>	<b>₱237,414</b>	<b>₱474,626</b>	<b>₱2,329,732</b>	<b>₱1,906,983</b>	<b>₱339,803</b>	<b>₱7,703,466</b>	<b>₱9,552</b>	<b>₱-</b>	<b>₱11,140</b>	<b>₱579,612</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,592,328</b>
<i>Other segment information:</i>													
Capital expenditures	₱20,662	₱13,516	₱127,992	₱15,994	₱8,410	₱74,559	₱-	₱-	₱-	₱1,259	₱-	₱-	₱262,392
Depreciation, amortization and depletion	₱28,868	₱42,650	₱156,191	₱60,400	₱11,257	₱40,024	₱13,905	₱-	₱2,378	₱17,975	₱-	₱-	₱373,648

The Group has revenues from external customers as follows:

<b>For the three-month period ended March 31</b>		
	<b>2022</b>	2021
Country of Domicile	(Unaudited)	
Local	<b>₱2,114,159</b>	₱1,334,314
China	<b>1,424,675</b>	1,436,647
Japan	<b>154,301</b>	396,619
	<b>₱3,693,135</b>	₱3,167,580

The revenue information above is based on the location of the customers. Local customers include CBNC and THNC, which are Philippine Economic Zone Authority-registered entities.

Revenue arising from two key customers for the sale of ore amounted to ₱2,425.4 million and ₱1,717.7 million for the three months ended March 31, 2022 and 2021, respectively.