# COVER SHEET

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SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

(Business Address: No. Street City/Town/Province)7

**EMMANUEL L. SAMSON**

(Contact Person)

**8892-6669 / 8892-4177**

(Company Telephone Number)

| 1 2 | 3 1 | 17-Q | 0 6 | 1st Friday |
|---|---|---|---|---|
| *Month* | *Day* | (Form Type) | *Month* | *Day* |
| (Calendar Year) | | | (Annual Meeting) | |

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

| Total No. of Stockholders | Domestic | Foreign |
|---|---|---|
| 88 | ₱2,423.4 million | ₱84.4 million |

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number CS200811530
File Number______

**NICKEL ASIA CORPORATION**
(Company's Full Name)

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

**+63 2 8892 6669 / +63 2 8892 4177**
(Telephone Numbers)

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

**SEC Form 17-Q Quarterly Report**
Form Type

______________________________
Amendment Delegation (If applicable)

**For the Nine Months Ended**
**September 30, 2020**
Period Ended Date

___________________________
(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: **SEPTEMBER 30, 2020**
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: **28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City** — Postal Code: **1634**
8. Issuer's telephone number, including area code: **+63 2 8892 6669 / +63 2 7798 7622**
9. Former name, former address, and former fiscal year, if changed since last report.
   **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Stock** | **13,630,850,117 shares** |
| **Short and Long-term Debts** | **Php2,507.8 million** |

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

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    **PHILIPPINE STOCK EXCHANGE** **Common Stock**

12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

NICKEL ASIA CORP.

**Nickel Asia Corporation**

Main Office:
28th Floor NAC Tower,
32nd Street, Bonifacio
Global City, Taguig City,
Philippines 1634

Phone: +63 2 8892 6669
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Web: nickelasia.com

November 11, 2020

**Ms. Janet 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 : SEC Form 17-Q 2020 3rd 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 September 30, 2020.

We trust everything is in order.

Very truly yours,

**Emmanuel L. Samson**
SVP - Chief Financial Officer

# NICKEL ASIA CORPORATION
## 17-Q QUARTERLY REPORT
## SEPTEMBER 30, 2020

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**PART I – FINANCIAL INFORMATION**

**Item A. Financial Statements**

The Unaudited Interim Consolidated Financial Statements as at September 30, 2020 (with Comparative Audited Statement of Financial Position as at December 31, 2019) and for the nine-month period ended September 30, 2020 and 2019 are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2020 and 2019 and as at September 30, 2020 and December 31, 2019:

**Summary Consolidated Statements of Income**

| | For the Nine Months Ended September 30 | | Increase | Percent |
|---|---|---|---|---|
| | **2020** | **2019** | **(Decrease)** | **Inc (Dec)** |
| | *(In Thousand Pesos)* | | | |
| Revenues | ₱15,114,716 | ₱13,663,823 | ₱1,450,893 | 11% |
| Costs | (6,339,614) | (6,158,135) | 181,479 | 3% |
| Operating expenses | (4,018,160) | (3,758,174) | 259,986 | 7% |
| Finance income | 200,803 | 309,912 | (109,109) | -35% |
| Finance expenses | (217,058) | (254,359) | (37,301) | -15% |
| Equity in net losses of associates | (11,139) | (85,069) | (73,930) | -87% |
| Other income (charges) - net | (176,057) | 95,114 | (271,171) | -285% |
| Provision for income tax - net | (1,421,644) | (1,164,688) | 256,956 | 22% |
| Net income | ₱3,131,847 | ₱2,648,424 | ₱483,423 | 18% |
| | | | | |
| Net income attributable to: | | | | |
| Equity holders of the parent | ₱2,299,580 | ₱1,923,668 | ₱375,912 | 20% |
| Non-controlling interests | 832,267 | 724,756 | 107,511 | 15% |
| | ₱3,131,847 | ₱2,648,424 | ₱483,423 | 18% |

**Summary Consolidated Statements of Financial Position**

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|---|
| | *(In Thousand Pesos)* | | | |
| Current assets | ₱20,613,197 | ₱22,023,257 | (₱1,410,060) | -6% |
| Noncurrent assets | 26,289,578 | 26,238,696 | 50,882 | 0% |
| Total assets | ₱46,902,775 | ₱48,261,953 | (₱1,359,178) | -3% |
| Current liabilities | ₱10,763,383 | ₱9,920,481 | ₱842,902 | 8% |
| Noncurrent liabilities | 2,984,336 | 3,210,211 | (225,875) | -7% |
| Equity attributable to equity holders of the parent | 29,430,635 | 31,370,031 | (1,939,396) | -6% |
| Non-controlling interests | 3,724,421 | 3,761,230 | (36,809) | -1% |
| Total liabilities and equity | ₱46,902,775 | ₱48,261,953 | (₱1,359,178) | -3% |

**Summary Consolidated Statements of Cash Flows**

| | For the Nine Months Ended September 30 | | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|---|
| | 2020 | 2019 | | |
| | *(In Thousand Pesos)* | | | |
| Net cash flows from (used in): | | | | |
| Operating activities | ₱5,428,753 | ₱3,636,143 | ₱1,792,610 | 49% |
| Investing activities | (317,100) | (778,514) | (461,414) | -59% |
| Financing activities | (5,831,758) | (2,493,291) | 3,338,467 | 134% |
| Net increase (decrease) in cash and cash equivalents | (720,105) | 364,338 | 1,084,443 | -298% |
| Cash and cash equivalents, beginning | 11,943,128 | 10,784,369 | 1,158,759 | 11% |
| Cash and cash equivalents, end | ₱11,223,023 | ₱11,148,707 | ₱74,316 | 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 nine months ended September 30, 2020 and 2019, 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.

**Nine months ended September 30, 2020 compared with nine months ended September 30, 2019**

**Revenues**

| | 2020 | 2019 |
|---|---|---|
| | (In Thousands) | |
| **REVENUES** | | |
| Revenue from contracts with customers | | |
| Sale of ore and limestone | ₱14,007,790 | ₱12,833,898 |
| Services and others | 888,671 | 497,299 |
| Power | 117,501 | 254,262 |
| Capital recovery fee | 100,754 | 78,364 |
| | ₱15,114,716 | ₱13,663,823 |

***Revenue from Contracts with Customers***

Revenue from contracts with customers during the first three quarters of 2020 was ₱15,014.0 million, higher by ₱1,428.5 million or 11%, compared to ₱13,585.5 million during the same period last year.

*Sale of Ore*

The jump in earnings during the first nine-months of the year was due primarily to much improved ore export prices, particularly during the third quarter, on the back of a recovery in the Chinese stainless steel market. As a result of higher ore prices, total revenues of the Group increased.

The Group realized an average of $5.99 per pound of payable nickel on its limonite shipments to the two HPAL plants for the first three quarters of 2020, the pricing of which is linked to the London Metal Exchange (LME). This compares to an average price of $6.06 per pound of payable nickel sold in the same period last year. Ore shipments to the HPAL plants accounted for 46% and 41% of the Group's total shipments during the first three quarters of 2020 and 2019, respectively.

As LME prices remained flat during the period, the Group benefitted mainly from the surge in ore export prices. The remaining 54% of the Group's total shipments are ore exports to China and Japan. The average realized export price during the first nine-month period was $30.06 per wet metric tons (WMT), 38% higher compared to $21.81 per WMT realized during the same period last year. On a combined basis, the average price received for sales of both ore exports and ore deliveries to the two plants in the first three quarters of 2020 was $19.76 per WMT compared to $16.03 per WMT in 2019.

In terms of shipment volumes, the Group sold an aggregate of 14.03 million WMT of nickel ore during the first three quarters of 2020 as against 15.29 million WMT during the same period last year. Limonite ore deliveries to the two processing plants were higher at 6.52 million WMT compared to 6.34 million WMT last year. On the other hand, ore export shipments declined, lower by 16% to 7.50 million WMT from 8.95 million WMT last year. The strict quarantine measures implemented during the months of April and parts of May, affected ore shipments at three of the Company's four operating mines, namely the Taganito, Cagdianao and Hinatuan mines. However, the strong rise in ore prices during the third quarter was more than enough to offset the drop in shipment volumes during the first nine-months.

The realized peso to US dollar exchange rate for ore sales was ₱49.54 during the first three quarters of 2020 compared to ₱51.90 during the same period last year.

On a per mine basis, the Group's Rio Tuba mine exported 1.26 million WMT of saprolite ore and delivered 2.41 million WMT of limonite ore to the Coral Bay processing plant for the first three quarters of 2020. This compares to sales of 1.25 million WMT of saprolite ore and 2.69 million WMT of limonite ore to the Coral Bay processing plant during the same period last year.

The Group's Taganito mine exported 2.65 million WMT of saprolite ore and delivered 3.88 million WMT of limonite ore to the Taganito processing plant during the first three quarters of 2020. This compares to sales of 3.32 million WMT of saprolite and limonite ore and 3.61 million WMT of limonite ore to the Taganito processing plant in the same period last year.

The Company's Hinatuan mine shipped saprolite and limonite ore of 1.45 million WMT during the first three quarters of 2020 compared to 1.91 million WMT during the same period last year. Meanwhile, Cagdianao mine shipped saprolite and limonite ore of 2.38 million WMT during the first three quarters of 2020 compared to 2.51 million WMT of saprolite and limonite ore during the same period last year.

*Sale of Limestone*
Rio Tuba's revenue from sale of limestone was slightly higher by 7% at ₱280.8 million during the first three quarters of 2020 compared to ₱262.3 million during the same period last year.

*Sale of Quarry Materials*
Pursuant to the Materials Supply Agreement entered into by Taganito Mining Corporation (TMC) and Taganito HPAL Nickel Corporation (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 ₱384.5 million and nil during the first three quarters of 2020 and 2019, respectively.

*Services and Others*
Services revenue largely consists of payments made to us in consideration for the hauling, manpower and other ancillary services that Rio Tuba Nickel Mining Corporation (RTN) and TMC provides to Coral Bay Nickel Corporation (CBNC) and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The revenue from services and others was higher by ₱6.9 million, from ₱497.3 million to ₱504.2 million due to increase in materials handled by RTN and TMC for CBNC and THNC, respectively.

*Sale of Power*
Revenue from the sale of power amounted to ₱117.5 million, significantly lower by 54% from ₱254.3 million during the first three quarters of 2019. Last year's revenue included revenue of ₱49.0 million from Manta Energy Inc. (MEI) which was already sold to Shell Energy in September 2019. Excluding the revenue from MEI, both the average selling price and the energy volume sold for the first three quarters the year were below last year's third quarter results. The decrease in average selling price was due to the significant drop in Wholesale Electricity Spot Market (WESM) prices. The average WESM price for the first three quarters of 2020 was 50% lower, at ₱2.71/kilowatt-hour (kWh) compared to the same period last year of ₱5.46/kWh which was driven by lower demand for electricity starting mid-March, brought by the community-wide lockdowns due to the Corona Virus Disease (COVID)-19 pandemic. Although the power sales agreement entered into, which started in October 2019, pulled the third quarter of 2020 effective selling price of Jobin-SQM, Inc. (JSI) up to ₱3.31/kWh, this was still 45% lower compared to the same period last year of ₱5.99/kWh.

***Capital Recovery Fee (CRF)***
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. During the first three quarters of 2019, the plant is operating 2 generator sets only which is equivalent to 2/3 of its contracted capacity compared to the current period wherein the plant is operating at full contracted capacity of 10,000kW.

**Costs**
Costs went up by 3% or ₱181.5 million, from ₱6,158.1 million to ₱6,339.6 million.

| | 2020 | 2019 |
|---|---|---|
| | (In Thousands) | |
| **COSTS** | | |
| Cost of sales | ₱5,859,623 | ₱5,643,137 |
| Services | 250,362 | 250,419 |
| Power generation | 229,629 | 264,579 |
| | ₱6,339,614 | ₱6,158,135 |

*Cost of Sales*
Cost of sales rose by 4% to ₱5,859.6 million from ₱5,643.1 million mainly on account of the cost of quarry materials which commenced operations during the last quarter of 2019 only.

*Cost of Services*
Cost of services were almost the same at ₱250.4 million during the first three quarters of 2020 and 2019. In terms of volume, total materials handled by RTN and TMC decreased by 5% and 3%, respectively, however since all works were handled in-house and the simultaneous hauling of materials for the customers required more manpower, this resulted to higher personnel cost during the current period. Thus, the decline in volume handled was partially offset by the increase in personnel cost.

*Cost of Power Generation*
Cost of power generation dropped by 13% to ₱229.6 million from ₱264.6 million on account of both the average selling price and the volume sold were below last year's 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.

**Operating Expenses**

| | 2020 | 2019 |
|---|---|---|
| | (In Thousands) | |
| **OPERATING EXPENSES** | | |
| Excise taxes and royalties | ₱1,562,742 | ₱1,375,579 |
| Shipping and loading costs | 1,551,165 | 1,463,650 |
| General and administrative | 731,035 | 784,601 |
| Marketing | 173,218 | 134,344 |
| | ₱4,018,160 | ₱3,758,174 |

*Excise Taxes and Royalties*
Excise taxes and royalties rose by 14% to ₱1,562.7 million from ₱1,375.6 million because of higher revenues as a result of improved ore export prices.

*Shipping and Loading Costs*
Shipping and loading costs went up by 6% despite of the 16% drop in the volume of ore export and this was due to net demurrage incurred amounting to ₱18.2 million during the first three quarters of 2020 compared to net despatch of ₱12.5 million during the same period last year. Aside from this, landing craft transport (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 24%.

*General and Administrative*
General and administrative expenses slid by 7% from ₱784.6 million to ₱731.0 million as a result of lower taxes paid in the current period. Domestic and foreign travels were also lessened in compliance with the government directives on nonessential travel ban in response to the COVID-19 outbreak. Generally, costs went down as a result of the pandemic due to the limited movements during the period.

*Marketing*
Marketing costs went up by 29% from ₱134.3 million to ₱173.2 million which was driven mainly by the 19% increase in the commission paid by Cagdianao Mining Corporation (CMC) to its claim owner. The commission is based on a certain percentage of revenue and CMC's revenue during the current period was higher compared to the same period last year, thus the increase in the account.

***Finance Income***
Finance income went down by 35% to ₱200.8 million from ₱309.9 million due to lower interest rates and lower short-term cash placements during the current period.

***Finance Expenses***
Finance expenses dropped by 15% to ₱217.1 million from ₱254.4 million because of lower interest from domestic borrowings as a result of full settlement of loans with Landbank of the Philippines and decline in the domestic borrowing rate from an average of 7.22% to an average of 6.25%. The London Inter-Bank Offered Rate also declined from 4.63% to 3.50% due to the economic shock of the COVID-19 pandemic.

***Equity in Net Losses of Associates***
The Group's consolidated net losses in THNC and CBNC amounted to ₱11.1 million in the first three quarters of 2020, lower compared to the ₱85.1 million net loss in the same period last year since THNC was able to recover from a net loss during the first three quarters of 2019. However, the said increase was partially offset by the net loss position of CBNC in both periods wherein higher net loss was posted during the current period.

***Other Charges - Net***
Other charges - net went up by 285% to ₱176.1 million charges from ₱95.1 million income mainly due to the ₱23.2 million mark to market loss from the Company's portfolio investments during the first three quarters of 2020, a significant turnaround from a gain of ₱80.3 million during the same period last year. The said loss translates to around negative 24.2% overall return on the equity portfolio's performance during the first three quarters of the current year, as the spread of COVID-19 profoundly

affected markets globally. Aside from this, the loss was also attributable to the continuous depreciation of the peso vis-à-vis the US dollar which resulted to an increase in net foreign exchange losses by ₱228.7 million.

***Provision for Income Tax - Net***

The net provision for income tax was higher by 22% due to higher taxable income during the current period compared to the same period last year.

***Net Income***

As a result of the foregoing, the consolidated net income was ₱3,131.8 million during the first three quarters of 2020 compared to ₱2,648.4 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 three quarters of the current year amounted to ₱2,299.6 million compared to the ₱1,923.7 million during the same period last year.

**STATEMENT OF FINANCIAL POSITION**

Total assets slid by ₱1,359.2 million from ₱48,262.0 million as of the end of 2019 to ₱46,902.8 million as at September 30, 2020. Current assets declined to ₱20,613.2 million from ₱22,023.3 million due to payments of cash dividends . Noncurrent assets were almost the same at ₱26,289.6 million and ₱26,238.7 million as at September 30, 2020 and December 31, 2019, respectively.

Current liabilities was slightly higher from ₱9,920.5 million to ₱10,763.4 million due to higher trade payables and higher income tax payable at the end of the quarter as a result of higher taxable income.

Noncurrent liabilities of ₱2,984.3 million was 7% below of end of last year's ₱3,210.2 million due to decrease in deferred income tax liabilities by ₱285.5 million.

Equity net of non-controlling interests dropped by 6% to ₱29,430.6 million due to the regular and special cash dividends paid during the current period which was slightly offset by the net income attributable to equity holders of the parent during the first three quarters of the current year. Moreover, the Company acquired treasury stocks amounting to ₱46.1 million as of end of September 2020.

**STATEMENT OF CASH FLOWS**

Net cash from operating activities during the first three quarters of 2020 amounting to ₱5,428.8 million was higher compared to ₱3,636.1 million during the same period last year as a result of higher revenue during the current period.

Cash used in investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets in debt and equity securities. For the nine months ended September 30, 2020, the net acquisitions of financial assets and property and equipment amounting to ₱504.3 million was lower compared to the ₱1,023.8 million incurred during the same period last year because of the disposal of one of the Company's portfolio investment managed by an offshore bank.

For cash used in financing activities, compared to last year, the Parent Company paid special cash dividends in the current year amounting to almost ₱3.0 billion. Acquisitions of treasury stocks in the first three quarters of 2020 was also higher at ₱46.1 million compared to ₱12.9 million in the same period last year.

As at September 30, 2020 and 2019, cash and cash equivalents amounted to ₱11,223.0 million and ₱11,148.7 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 three quarters of 2020 was ₱665.62 per WMT on the basis of aggregate costs of ₱9,335.7 million and total sales volume of 14.03 million WMT of ore. This compares to ₱598.34 per WMT during the first three quarters of 2019 on the basis of aggregate costs of ₱9,151.0 million and total sales volume of 15.29 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 net income attributable to equity holders of the Parent Company for the first three quarters of 2020 was ₱2,299.6 million compared to ₱1,923.7 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 three quarters of 2020 and 2019, the open hectares per million WMT sold was 19.98 and 18.31, 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 0.06 and 0.28 for the first three quarters of 2020 and 2019, respectively.

**Liquidity and Capital Resources**

As at September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019, the Group's working capital, defined as the difference between the current assets and current liabilities, was ₱9,849.8 million and ₱12,102.8 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.

**<u>Qualitative and Quantitative Disclosures about Market Risk</u>**

*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.

Other than the Suretyship Agreement 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 three quarters of 2020, HMC's tonnage consists 10% of the Group's total volume shipped.

*COVID-19 Outbreak*

On March 8, 2020, President Duterte issued Proclamation No. 922, Series of 2020 declaring a State of Public Health Emergency throughout the Philippines due to the spread of COVID-19. On March 13, 2020, in a move to contain the pandemic, the Executive Secretary issued a Memorandum imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. Although the government imposed an Enhanced Community Quarantine in Luzon effective March 17, 2020, the Group's mine in Palawan, as well as its mines in Surigao, continued to operate but under strict quarantine protocols to avoid possible infection and spread of the virus.

On March 31, 2020, TMC and HMC suspended their mining operations in compliance with Executive Order No. 20-011 issued by the Provincial Government of Surigao Del Norte. TMC and HMC resumed their mining operations after April 3, 2020, following their receipt of the Provincial Government of Surigao Del Norte's Memorandum Order No. 20-124 that allowed, among others, the continued operations of export companies (including mining companies and mineral processing plants), and the entry of foreign vessels of export-oriented companies within the province.

However, on April 9, 2020, TMC and HMC voluntarily suspended their mining and direct export operations up to April 30, 2020 in response to the appeal of the Provincial Government of Surigao Del Norte and Municipal Governments of Claver and Tagana-an, where TMC and HMC respectively operate. The said local governments requested that TMC and HMC defer their operations to prevent an increased risk of entry and transmission of COVID-19 in Surigao Del Norte and the said municipalities. Meanwhile, TMC continued to transport and deliver its existing limonite stockpiles to

THNC to reduce environmental risks to TMC. THNC continued its operations under stricter health measures. CMC also complied with the one-vessel-at-a-time limitation imposed by the Provincial Government of Dinagat Islands. By mid-May 2020, operations began to return to normal.

On May 1, 2020, TMC and HMC resumed their operations with the approval of the Governor of Surigao del Norte and the Mayors of their respective host municipalities. CMC also received permission from the Governor of the Dinagat Island Provinces to ramp up loading from one to four vessels at a time in June.

The voluntary suspensions and other disruptions in the operations of the Group's mines led to a shortfall of about 13 vessels or roughly 715 thousand WMT as of April 30, 2020.

As at September 30, 2020, 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 September 30, 2020 and December 31, 2019, 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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

| | **2020** | 2019 |
|---|---|---|
| A. *Liquidity analysis ratios* | | |
| Current ratio or working capital ratio | **1.92** | 2.27 |
| Quick ratio | **1.57** | 1.78 |
| Solvency ratio | **3.41** | 3.68 |
| B. *Financial leverage ratios* | | |
| Debt ratio | **0.29** | 0.27 |
| Debt-to-equity ratio | **0.41** | 0.37 |
| Asset-to-equity ratio | **1.41** | 1.37 |
| Interest coverage ratio | **26.55** | 19.54 |
| C. *Profitability ratios* | | |
| Net profit margin | **0.21** | 0.19 |
| Return on assets | **0.07** | 0.06 |
| Return on equity | **0.09** | 0.08 |
| Gross profit margin | **0.58** | 0.55 |
| Price/earnings ratio | **17.47** | 28.29 |

**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

November 11, 2020

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

November 11, 2020

**NICKEL ASIA CORPORATION**

SEC FORM 17-Q

INDEX TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

# NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**SEPTEMBER 30, 2020**
**(With Comparative Audited Figures as at December 31, 2019)**
**(Amounts in Thousands)**

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱11,223,023** | ₱11,943,128 |
| Trade and other receivables (Notes 5 and 30) | **2,047,091** | 1,065,657 |
| Inventories (Note 6) | **3,085,692** | 3,995,411 |
| Financial assets at (Note 7): | | |
| Fair value through other comprehensive income (FVOCI) | **2,499,077** | 2,730,168 |
| Fair value through profit or loss (FVTPL) | **991,829** | 1,651,283 |
| Amortized cost | **190,000** | 244,217 |
| Prepayments and other current assets | **576,485** | 393,393 |
| **Total Current Assets** | **20,613,197** | 22,023,257 |
| **Noncurrent Assets** | | |
| Property and equipment (Note 8) | **16,434,048** | 16,028,192 |
| Investments in associates (Note 9) | **3,044,035** | 3,259,735 |
| Geothermal exploration and evaluation assets (Note 10) | **1,827,926** | 1,811,711 |
| Financial assets at - net of current portion (Note 7): | | |
| FVTPL | **949,236** | 851,266 |
| Amortized cost | **110,000** | 210,000 |
| Deferred income tax assets - net | **318,671** | 498,264 |
| Long-term stockpile inventory - net of current portion (Note 11) | **10,311** | 105,601 |
| Other noncurrent assets | **3,595,351** | 3,473,927 |
| **Total Noncurrent Assets** | **26,289,578** | 26,238,696 |
| **TOTAL ASSETS** | **₱46,902,775** | ₱48,261,953 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Notes 12 and 30) | **₱7,886,747** | ₱7,530,858 |
| Short-term debts (Note 13) | **1,489,869** | 1,492,404 |
| Income tax payable | **1,007,068** | 557,388 |
| Other current liability | **261,691** | 221,079 |
| Current portion of: | | |
| Long-term debt (Notes 13 and 30) | **84,866** | 88,611 |
| Lease liabilities (Note 31) | **28,142** | 25,141 |
| Long-term payable | **5,000** | 5,000 |
| **Total Current Liabilities** | **10,763,383** | 9,920,481 |
| **Noncurrent Liabilities** | | |
| Long-term debt - net of current portion (Notes 13 and 30) | **933,059** | 930,418 |
| Lease liabilities - net of current portion (Note 31) | **579,916** | 581,537 |
| Provision for mine rehabilitation and decommissioning (Note 14) | **503,970** | 493,731 |
| Deferred income tax liabilities | **463,239** | 748,766 |
| Pension liability | **444,121** | 393,180 |
| Deferred income - net of current portion | **47,136** | 50,279 |
| Long-term payable - net of current portion | **12,895** | 12,300 |
| **Total Noncurrent Liabilities** | **2,984,336** | 3,210,211 |
| **Total Liabilities** | **13,747,719** | 13,130,692 |

(Forward)

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| **Equity Attributable to Equity Holders of the Parent** | | |
| Capital stock (Note 15) | **₱6,849,836** | ₱6,849,836 |
| Additional paid-in capital | **8,271,900** | 8,262,455 |
| Other components of equity: | | |
| Share in cumulative translation adjustment (Note 9) | **428,530** | 612,635 |
| Cost of share-based payment plan (Note 16) | **422,461** | 370,522 |
| Net valuation gains on financial assets at FVOCI | **51,477** | 32,243 |
| Asset revaluation surplus | **31,044** | 31,331 |
| Retained earnings: | | |
| Unappropriated | **11,923,825** | 13,713,383 |
| Appropriated (Note 15) | **1,585,576** | 1,585,576 |
| Treasury stock (Note 15) | **(134,014)** | (87,950) |
| | **29,430,635** | 31,370,031 |
| **Non-controlling Interests (NCI)** | **3,724,421** | 3,761,230 |
| **Total Equity** | **33,155,056** | 35,131,261 |
| **TOTAL LIABILITIES AND EQUITY** | **₱46,902,775** | ₱48,261,953 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF INCOME

### FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**(Amounts in Thousands, Except Earnings per Share)**

| | **2020** | 2019 |
|---|---|---|
| | (Unaudited) | |
| **REVENUES** | | |
| Revenue from contracts with customers (Notes 29 and 30) | | |
| Sale of ore and limestone | **₱8,036,423** | ₱5,921,309 |
| Services and others | **362,692** | 156,458 |
| Power | **39,749** | 47,634 |
| Capital recovery fee | **33,585** | 33,584 |
| | **8,472,449** | 6,158,985 |
| **COSTS** | | |
| Cost of sales (Note 18) | **2,661,144** | 2,143,833 |
| Services (Note 19) | **78,175** | 81,120 |
| Power generation (Note 20) | **78,835** | 54,758 |
| | **2,818,154** | 2,279,711 |
| **OPERATING EXPENSES** | | |
| Excise taxes and royalties (Note 21) | **1,000,372** | 682,659 |
| Shipping and loading costs (Note 22) | **874,378** | 684,479 |
| General and administrative (Note 23) | **244,347** | 270,058 |
| Marketing | **137,411** | 67,868 |
| | **2,256,508** | 1,705,064 |
| **FINANCE INCOME** (Note 26) | **48,269** | 98,247 |
| **FINANCE EXPENSES** (Note 27) | **(63,264)** | (86,039) |
| **EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES** (Note 9) | **59,475** | (4,346) |
| **OTHER INCOME (CHARGES)** – Net (Note 28) | **(109,283)** | 118,292 |
| **INCOME BEFORE INCOME TAX** | **3,332,984** | 2,300,364 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 32) | | |
| Current | **1,021,656** | 683,854 |
| Deferred | **(43,045)** | 17,725 |
| | **978,611** | 701,579 |
| **NET INCOME** | **₱2,354,373** | ₱1,598,785 |
| Net income attributable to: | | |
| Equity holders of the parent | **₱1,898,146** | ₱1,229,442 |
| NCI | **456,227** | 369,343 |
| | **₱2,354,373** | ₱1,598,785 |
| **Basic/Diluted Earnings Per Share** (EPS) | **₱0.14** | ₱0.09 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF INCOME

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

**(Amounts in Thousands, Except Earnings per Share)**

| | 2020 | 2019 |
|---|---|---|
| | (Unaudited) | |
| **REVENUES** | | |
| Revenue from contracts with customers (Notes 29 and 30) | | |
| Sale of ore and limestone | **₱14,007,790** | ₱12,833,898 |
| Services and others | **888,671** | 497,299 |
| Power | **117,501** | 254,262 |
| Capital recovery fee | **100,754** | 78,364 |
| | **15,114,716** | 13,663,823 |
| **COSTS** | | |
| Cost of sales (Note 18) | **5,859,623** | 5,643,137 |
| Services (Note 19) | **250,362** | 250,419 |
| Power generation (Note 20) | **229,629** | 264,579 |
| | **6,339,614** | 6,158,135 |
| **OPERATING EXPENSES** | | |
| Excise taxes and royalties (Note 21) | **1,562,742** | 1,375,579 |
| Shipping and loading costs (Note 22) | **1,551,165** | 1,463,650 |
| General and administrative (Note 23) | **731,035** | 784,601 |
| Marketing | **173,218** | 134,344 |
| | **4,018,160** | 3,758,174 |
| **FINANCE INCOME** (Note 26) | **200,803** | 309,912 |
| **FINANCE EXPENSES** (Note 27) | **(217,058)** | (254,359) |
| **EQUITY IN NET LOSSES OF ASSOCIATES** (Note 9) | **(11,139)** | (85,069) |
| **OTHER INCOME (CHARGES)** - Net (Note 28) | **(176,057)** | 95,114 |
| **INCOME BEFORE INCOME TAX** | **4,553,491** | 3,813,112 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 32) | | |
| Current | **1,504,755** | 1,228,400 |
| Deferred | **(83,111)** | (63,712) |
| | **1,421,644** | 1,164,688 |
| **NET INCOME** | **₱3,131,847** | ₱2,648,424 |
| Net income attributable to: | | |
| Equity holders of the parent | **₱2,299,580** | ₱1,923,668 |
| NCI | **832,267** | 724,756 |
| | **₱3,131,847** | ₱2,648,424 |
| **Basic/Diluted Earnings Per Share** (Note 17) | **₱0.17** | ₱0.14 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**(Amounts in Thousands)**

| | **2020** | 2019 |
|---|---|---|
| | (Unaudited) | |
| **NET INCOME** | **₱3,131,847** | ₱2,648,424 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| *Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:* | | |
| Share in translation adjustment of associates | **(184,105)** | (64,479) |
| Net valuation gains on financial assets at FVOCI | **19,234** | 119,152 |
| Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods | **(164,871)** | 54,673 |
| *Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:* | | |
| Asset revaluation surplus | **(287)** | (287) |
| **TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX** | **(165,158)** | 54,386 |
| **TOTAL COMPREHENSIVE INCOME - NET OF TAX** | **₱2,966,689** | ₱2,702,810 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | **₱2,134,422** | ₱1,978,054 |
| NCI | **832,267** | 724,756 |
| | **₱2,966,689** | ₱2,702,810 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

# NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

### (Amounts in Thousands)

| | Equity Attributable to Equity Holders of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Retained Earnings | | | | | |
| | Capital Stock (Note 15) | Additional Paid-in Capital | Share in Cumulative Translation Adjustment (Note 9) | Cost of Share-based Payment Plan (Note 16) | Net Valuation Gains on Financial Assets at FVOCI | Asset Revaluation Surplus | Unappropriated | Appropriated (Note 15) | Treasury Stock (Note 15) | Total | NCI | Total |
| **Balances at December 31, 2019** | **₱6,849,836** | **₱8,262,455** | **₱612,635** | **₱370,522** | **₱32,243** | **₱31,331** | **₱13,713,383** | **₱1,585,576** | **(₱87,950)** | **₱31,370,031** | **₱3,761,230** | **₱35,131,261** |
| **Net income** | – | – | – | – | – | – | 2,299,580 | – | – | 2,299,580 | 832,267 | 3,131,847 |
| **Other comprehensive income (loss)** | – | – | (184,105) | – | 19,234 | (287) | – | – | – | (165,158) | – | (165,158) |
| **Total comprehensive income (loss)** | – | – | (184,105) | – | 19,234 | (287) | 2,299,580 | – | – | 2,134,422 | 832,267 | 2,966,689 |
| **Cost of share-based payment plan (Note 16)** | – | – | – | 51,939 | – | – | – | – | – | 51,939 | – | 51,939 |
| **Cash dividends - (Note 15)** | – | – | – | – | – | – | (4,089,425) | – | – | (4,089,425) | – | (4,089,425) |
| **Cash dividends to NCI** | – | – | – | – | – | – | – | – | – | – | (1,002,000) | (1,002,000) |
| **Effect of partial disposal of a subsidiary** | – | 9,445 | – | – | – | – | – | – | – | 9,445 | 132,924 | 142,369 |
| **Acquisitions of treasury stock (Note 15)** | – | – | – | – | – | – | – | – | (46,064) | (46,064) | – | (46,064) |
| **Asset revaluation surplus transferred to retained earnings** | – | – | – | – | – | – | 287 | – | – | 287 | – | 287 |
| **Balances at September 30, 2020 (Unaudited)** | **₱6,849,836** | **₱8,271,900** | **₱428,530** | **₱422,461** | **₱51,477** | **₱31,044** | **₱11,923,825** | **₱1,585,576** | **(₱134,014)** | **₱29,430,635** | **₱3,724,421** | **₱33,155,056** |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

| | Equity Attributable to Equity Holders of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 15) | Additional Paid-in Capital | Share in Cumulative Translation Adjustment | Cost of Share-based Payment Plan | Net Valuation Gains (Losses) on Financial Assets at FVOCI | Asset Revaluation Surplus | Retained Earnings Unappropriated | Retained Earnings Appropriated (Note 15) | Treasury Stock | Total | NCI | Total |
| Balances at December 31, 2018 | ₱6,849,836 | ₱8,262,455 | ₱780,412 | ₱240,003 | (₱92,504) | ₱31,714 | ₱11,794,529 | ₱1,818,628 | (₱20,366) | ₱29,664,707 | ₱3,786,123 | ₱33,450,830 |
| Net income | – | – | – | – | – | – | 1,923,668 | – | – | 1,923,668 | 724,756 | 2,648,424 |
| Other comprehensive income (loss) | – | – | (64,479) | – | 119,152 | (287) | – | – | – | 54,386 | – | 54,386 |
| Total comprehensive income (loss) | – | – | (64,479) | – | 119,152 | (287) | 1,923,668 | – | – | 1,978,054 | 724,756 | 2,702,810 |
| Cost of share-based payment plan | – | – | – | 98,885 | – | – | – | – | – | 98,885 | – | 98,885 |
| Cash dividends - (Note 15) | – | – | – | – | – | – | (957,248) | – | – | (957,248) | – | (957,248) |
| Cash dividends to NCI | – | – | – | – | – | – | – | – | – | – | (515,000) | (515,000) |
| Elimination of NCI at disposal of subsidiaries | – | – | – | – | – | – | – | – | – | – | 784 | 784 |
| Acquisitions of treasury stock | – | – | – | – | – | – | – | – | (12,942) | (12,942) | – | (12,942) |
| Asset revaluation surplus transferred to retained earnings | – | – | – | – | – | – | 287 | – | – | 287 | – | 287 |
| Balances at September 30, 2019 (Unaudited) | ₱6,849,836 | ₱8,262,455 | ₱715,933 | ₱338,888 | ₱26,648 | ₱31,427 | ₱12,761,236 | ₱1,818,628 | (₱33,308) | ₱30,771,743 | ₱3,996,663 | ₱34,768,406 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**(Amounts in Thousands)**

| | 2020 | 2019 |
|---|---|---|
| | (Unaudited) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱4,553,491** | ₱3,813,112 |
| Adjustments for: | | |
| Depreciation, amortization and depletion (Notes 8 and 25) | **1,083,008** | 1,052,048 |
| Interest income (Note 26) | **(200,803)** | (309,912) |
| Interest expense (Notes 13 and 27) | **127,092** | 157,447 |
| Loss (gain) on: | | |
| Sale of financial assets at FVOCI (Note 28) | **(46,689)** | (12,827) |
| Changes in fair value of financial assets at FVTPL (Notes 7 and 28) | **23,236** | (80,347) |
| Sale of property and equipment (Note 28) | **(932)** | (1,452) |
| Disposal of subsidiaries | – | (656) |
| Redemption of financial assets at amortized cost (Note 28) | – | (200) |
| Cost of share-based payment plan (Notes 16 and 24) | **51,939** | 98,885 |
| Accretion of interest on: | | |
| Lease liabilities (Notes 27 and 31) | **40,319** | 41,954 |
| Provision for mine rehabilitation and decommissioning (Notes 14 and 27) | **10,239** | 5,554 |
| Long-term payable (Note 27) | **595** | 733 |
| Unrealized foreign exchange gains - net | **(35,303)** | (5,518) |
| Dividend income (Notes 7 and 28) | **(31,328)** | (40,530) |
| Movements in pension liability | **30,236** | (73) |
| Equity in net losses of associates (Note 9) | **11,139** | 85,069 |
| Operating income before working capital changes | **5,616,239** | 4,803,287 |
| Decrease (increase) in: | | |
| Trade and other receivables | **(868,989)** | (833,479) |
| Inventories | **1,005,009** | 209 |
| Prepayments and other current assets | **(183,092)** | 61,606 |
| Increase in trade and other payables | **914,661** | 559,942 |
| Net cash generated from operations | **6,483,828** | 4,591,565 |
| Income taxes paid | **(1,055,075)** | (955,422) |
| Net cash flows from operating activities | **5,428,753** | 3,636,143 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Financial assets at (Note 7): | | |
| FVOCI | **(3,727,854)** | (1,773,380) |
| FVTPL | **(1,032,730)** | (1,009,541) |
| Amortized cost | – | (58,447) |
| Property and equipment (Note 8) | **(1,483,758)** | (905,110) |
| Proceeds from sale of: | | |
| Financial assets at (Note 7): | | |
| FVOCI | **4,018,086** | 1,750,496 |
| FVTPL | **1,564,552** | 830,953 |
| Amortized cost | **154,217** | 136,200 |
| Subsidiary | **71,184** | – |
| Property and equipment | **3,217** | 5,020 |
| Interest received | **231,433** | 405,993 |
| Increase in: | | |
| Other noncurrent assets | **(130,621)** | (191,819) |
| Geothermal exploration and evaluation assets | **(16,215)** | (9,487) |
| Dividends received | **31,389** | 40,608 |
| Net cash flows used in investing activities | **(317,100)** | (778,514) |

(Forward)

| | **2020** | 2019 |
|---|---|---|
| | (Unaudited) | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments of: | | |
| Cash dividends | **(₱5,731,425)** | (₱2,212,248) |
| Short-term debts | **(1,500,000)** | (1,500,000) |
| Interest | **(88,276)** | (117,740) |
| Principal portion of lease liabilities (Note 31) | **(38,939)** | (77,894) |
| Long-term debts | **(37,773)** | (58,228) |
| Availments of: | | |
| Short-term debts | **1,488,953** | 1,488,903 |
| Long-term debt | **84,296** | – |
| Acquisitions of treasury stock | **(46,064)** | (12,942) |
| Increase (decrease) in: | | |
| Other current liability | **40,612** | – |
| Deferred income | **(3,142)** | (3,142) |
| Net cash flows used in financing activities | **(5,831,758)** | (2,493,291) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(720,105)** | 364,338 |
| **CASH AND CASH EQUIVALENTS AT JANUARY 1** | **11,943,128** | 10,784,369 |
| **CASH AND CASH EQUIVALENTS AT SEPTEMBER 30** (Note 4) | **₱11,223,023** | ₱11,148,707 |

*See accompanying Notes to Unaudited 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)**

### 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.

*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.

*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. DMC has not yet started commercial operations and is currently under development 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.

*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.

*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 November 6, 2020, 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. 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).

*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.

On February 26, 2019, MGPC received the Confirmation of Commerciality for the 10 megawatt (MW) project from the Philippine Government, through the Department of Energy (DOE). MGPC has actively pursued to seek potential investors for the drilling of production wells until the project achieves financial close and has been engaged in various social projects ranging from a series of community lectures, focusing on safety and health and environmental awareness, to educational activities.

*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, is a 77.66% 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. JSI was acquired by EPI on September 11, 2015. On May 23, 2016, JSI entered into the testing and commissioning phase for the 7MW Sta. Rita Solar Power Project. On November 7, 2016, JSI was granted by Energy Regulatory Commission (ERC) a Provisional Authority to Operate (PAO) to transition from testing and commissioning phase to actual production and operation phase for a period of six (6) months for its 7MW Sta. Rita Solar Power Project pending approval of JSI's dedicated point to point limited facilities to connect to the transmission system. On March 18, 2017, JSI commenced testing and commissioning phase for the 25MW Sta. Rita Solar Power Project and was granted by ERC a PAO to transition from testing and commissioning phase to actual production on September 27, 2017. In 2018, the ERC extended the effectivity of the PAO until May 14, 2019. On January 15, 2019, pursuant to Section 8 of Republic Act No. 9136 the ERC issued to JSI the Certificate of Compliance (COC) for the 7MW and 25MW of Phase I and Phase II, respectively, of the Sta. Rita Solar Power Project. The COC serves as JSI's authority to operate Phase I and II of the Solar Power Project, valid for a period of five (5) years from November 16, 2016 to November 15, 2021 until revoked or suspended. The certificate 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 Power Plant to the

Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation on December 28, 2018. Further, JSI is expected to implement the additional 68MW Solar Photovoltaic Project. Phase III-A for 30MW already started during the year and the target completion date is February 2021. For Phase III-B, the remaining 38MW is expected to start in mid-2021.

On June 17, 2020, EPI sold its 10% investment in JSI to TBEA International Engineering Co., Ltd. (TBEA) for ₱144.3 million.

*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.

*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 July 5, 2016, the ERC approved MEI's registration as Registered Electric Supplier for a period of five (5) years, and renewable thereafter. On September 18, 2019, EPI sold its investment in MEI to Shell Gas B.V. for ₱100.0 million.

*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.

The interim consolidated financial statements as at September 30, 2020 and December 31, 2019 and for the nine-month period ended September 30, 2020 and 2019, were authorized for issuance by the Parent Company's BOD on November 6, 2020.

## 2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation
The accompanying interim consolidated financial statements of the Group as at September 30, 2020 and for the nine-month period ended September 30, 2020 and 2019 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, 2019.

Basis of Consolidation

The interim consolidated financial statements include the balances of the subsidiaries and equity share in the losses of associates:

| | Principal Place of Business | Principal Activities | Effective Ownership September 30, 2020 | Effective Ownership September 30, 2019 |
|---|---|---|---|---|
| *Subsidiaries* | | | | |
| HMC | Philippines | Mining and Services | **100.00%** | 100.00% |
| CMC | Philippines | Mining | **100.00%** | 100.00% |
| LCSLC [(a)] | Philippines | Services | **100.00%** | 100.00% |
| DMC | Philippines | Mining | **100.00%** | 100.00% |
| SNMRC | Philippines | Mining | **100.00%** | 100.00% |
| CPDL | BVI | Services | **100.00%** | 100.00% |
| FEI [(b)] | Philippines | Mining | **88.00%** | 88.00% |
| CExCI | Philippines | Mining | **71.25%** | 71.25% |
| Newminco [(c)] | Philippines | Mining | **71.25%** | 71.25% |
| TMC | Philippines | Mining and Services | **65.00%** | 65.00% |
| RTN | Philippines | Mining and Services | **60.00%** | 60.00% |
| EPI | Philippines | Renewable Energy Developer | **86.29%** | 86.29% |
| MGPC [(d)] | Philippines | Renewable Energy Developer | **86.29%** | 86.29% |
| BHI [(d)] | Philippines | Services | **86.29%** | 86.29% |
| NPPGC [(d)] | Philippines | Power Generation | **86.29%** | 86.29% |
| JSI [(d, e)] | Philippines | Power Generation | **77.66%** | 86.29% |
| BGI [(d)] | Philippines | Power Generation | **51.77%** | 51.77% |
| *Associates* | | | | |
| 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 CExCI*
*(d) Indirect ownership through EPI*
*(e) Partially disposed on June 17, 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:

- 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 interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies
The accounting policies adopted in the preparation of the 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, 2019, except for the adoption of the following amendments and improvements to existing standards and interpretations, which were effective beginning January 1, 2020. 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, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The Group will quantify the effect of changes or amendments in standards in conjunction with the other phases when issued, to present a comprehensive picture.

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, 2021:*
- 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 2020. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

Any differences in the comparative amounts from the amounts in the interim consolidated financial statements as at September 30, 2019 and for the nine months ended September 30, 2019 are solely the effect of reclassifications and re-measurements, resulting from PFRS 16, *Leases* adoption, for comparative purposes.

## 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

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Cash on hand and with banks | **₱5,515,050** | ₱731,522 |
| Cash under managed funds | **1,249,551** | 114,804 |
| Short-term cash investments | **4,458,422** | 11,096,802 |
| | **₱11,223,023** | ₱11,943,128 |

## 5. Trade and Other Receivables

Trade and other receivables amounting to ₱33.8 million and ₱34.2 million as at September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019 are summarized below:

| **September 30, 2020 (Unaudited)** | **Neither Past Due Nor Impaired (30 days)** | **Past Due But Not Impaired (31-180 days)** | **Past Due and Individually Impaired (> 180 days)** | **Total** |
|---|---|---|---|---|
| **Trade and other receivables:** | | | | |
| **Trade** (see Note 30) | **₱1,543,494** | **₱99,022** | **₱19,989** | **₱1,662,505** |
| **Current portion of loan receivable** | **61,610** | **–** | **–** | **61,610** |
| **Advances to officers and employees** | **34,195** | **5,228** | **288** | **39,711** |
| **Interest receivable** | **23,903** | **–** | **–** | **23,903** |
| **Amounts owed by related parties** (see Note 30) | **2,522** | **–** | **4,228** | **6,750** |
| **Others** | **255,390** | **21,727** | **9,338** | **286,455** |
| **Total** | **₱1,921,114** | **₱125,977** | **₱33,843** | **₱2,080,934** |

| December 31, 2019 (Audited) | Neither Past Due Nor Impaired (30 days) | Past Due But Not Impaired (31-180 days) | Past Due and Individually Impaired (> 180 days) | Total |
|---|---|---|---|---|
| Trade and other receivables: | | | | |
| Trade (see Note 30) | ₱642,527 | ₱– | ₱20,345 | ₱662,872 |
| Current portion of loan receivable | 248,910 | – | – | 248,910 |
| Advances to officers and employees | 32,392 | – | 288 | 32,680 |
| Interest receivable | 54,533 | – | – | 54,533 |
| Amounts owed by related parties (see Note 30) | 3,218 | – | 4,228 | 7,446 |
| Others | 84,077 | – | 9,338 | 93,415 |
| Total | ₱1,065,657 | ₱– | ₱34,199 | ₱1,099,856 |

## 6. Inventories

As at September 30, 2020 and December 31, 2019, inventories amounting to ₱130.0 million and ₱114.5 million, respectively, were assessed to be impaired and were provided for with allowance for impairment losses. The provision for impairment losses amounted to ₱15.5 million and nil for the nine months ended September 30, 2020 and 2019, respectively, and there were no reversal of allowance for impairment losses on both periods.

As at September 30, 2020 and December 31, 2019, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱562.7 million and ₱893.3 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱416.3 million and ₱418.3 million, respectively.

## 7. Financial Assets

| | **September 30, 2020 (Unaudited)** | | | December 31, 2019 (Audited) | | |
|---|---|---|---|---|---|---|
| | **Financial Assets at** | | | Financial Assets at | | |
| | **FVOCI** | **FVTPL** | **Amortized Cost** | FVOCI | FVTPL | Amortized Cost |
| Quoted instruments: | | | | | | |
| Debt securities | **₱2,499,077** | **₱399,898** | **₱300,000** | ₱2,730,168 | ₱625,374 | ₱454,217 |
| Equity securities | **–** | **837,695** | **–** | – | 1,170,193 | – |
| Unquoted equity instruments | **–** | **703,472** | **–** | – | 706,982 | – |
| | **₱2,499,077** | **₱1,941,065** | **₱300,000** | ₱2,730,168 | ₱2,502,549 | ₱454,217 |

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:

| | **September 30, 2020 (Unaudited)** | | | December 31, 2019 (Audited) | | |
|---|---|---|---|---|---|---|
| | **Financial Assets at** | | | Financial Assets at | | |
| | **FVOCI** | **FVTPL** | **Amortized Cost** | FVOCI | FVTPL | Amortized Cost |
| Balances at January 1 | **₱2,730,168** | **₱2,502,549** | **₱454,217** | ₱2,608,301 | ₱2,006,646 | ₱531,770 |
| Additions | **3,799,364** | **1,032,154** | – | 2,238,853 | 1,233,067 | 58,447 |
| Disposals | **(4,041,219)** | **(1,564,077)** | – | (2,224,075) | (1,065,977) | – |
| Redemption | – | – | **(154,217)** | – | – | (136,000) |
| Effect of changes in foreign exchange rate | **(6,102)** | **(6,325)** | – | (26,843) | (18,912) | – |
| Net valuation gains (losses) on financial assets | **16,866** | **(23,236)** | – | 133,932 | 347,725 | – |
| Balances at end of period | **2,499,077** | **1,941,065** | **300,000** | 2,730,168 | 2,502,549 | 454,217 |
| Less noncurrent portion | – | **949,236** | **110,000** | – | 851,266 | 210,000 |
| Current portion | **₱2,499,077** | **₱991,829** | **₱190,000** | ₱2,730,168 | ₱1,651,283 | ₱244,217 |

For the nine months ended September 30, 2020 and 2019, dividend income from equity securities amounted to ₱31.3 million and ₱40.5 million, respectively (see Note 28), while interest income from debt securities amounted to ₱96.9 million and ₱96.3 million, respectively (see Note 26).

## 8. Property and Equipment

During the nine-month period ended September 30, 2020 and 2019, the Group acquired assets with a cost of ₱1,483.8 million and ₱905.1 million, respectively, including construction in-progress.

Depreciation, amortization and depletion expense for the nine months ended September 30, 2020 and 2019 amounted to ₱1,073.8 million and ₱1,050.0 million, respectively (see Note 25).

As at September 30, 2020 and December 31, 2019, there were no property and equipment pledged as collateral for the Group's borrowings.

## 9. Investments in Associates

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| THNC | **₱2,184,072** | ₱2,228,384 |
| CBNC | **859,963** | 1,031,351 |
| | **₱3,044,035** | ₱3,259,735 |

The movements in investments in associates follow:

| | September 30, 2020 (Unaudited) | | | December 31, 2019 (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 | **(248,188)** | **76,979** | **(171,209)** | (304,255) | 227,481 | (76,774) |
| Equity in net income (losses) | **41,079** | **(52,218)** | **(11,139)** | 56,067 | (45,684) | 10,383 |
| Dividends declared | – | – | – | – | (104,818) | (104,818) |
| | **(207,109)** | **24,761** | **(182,348)** | (248,188) | 76,979 | (171,209) |
| Share in cumulative translation adjustment: | | | | | | |
| Balances at January 1 | **501,872** | **229,962** | **731,834** | 577,467 | 340,786 | 918,253 |
| Movements | **(85,391)** | **(119,170)** | **(204,561)** | (75,595) | (110,824) | (186,419) |
| | **416,481** | **110,792** | **527,273** | 501,872 | 229,962 | 731,834 |
| Balances at end of period | **₱2,184,072** | **₱859,963** | **₱3,044,035** | ₱2,228,384 | ₱1,031,351 | ₱3,259,735 |

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱98.7 million and ₱119.2 million as at September 30, 2020 and December 31, 2019, 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. RTN also supplies limestone and provide ancillary services to Coral Bay HPAL facility.

The net assets of THNC and CBNC amounted to ₱19,459.7 million and ₱26,866.7 million, respectively, as at September 30, 2020, and ₱19,902.8 million and ₱28,580.6 million, respectively, as at December 31, 2019. The results of THNC's and CBNC's operations were net income of ₱410.8 million and net loss of ₱522.2 million, respectively, for the nine months ended September 30, 2020, and net loss of ₱724.4 million and ₱126.3 million, respectively, for the nine months ended September 30, 2019. The Parent Company's share in cumulative translation adjustment amounted to ₱428.5 million and ₱612.6 million as at September 30, 2020 and December 31, 2019, respectively, and its equity in net losses of associates amounted to ₱11.1 million and ₱85.1 million for the nine months ended September 30, 2020 and 2019, 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 September 30, 2020 and December 31, 2019, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

## 11. 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. Subsequently, this fair value represented the cost of the long-term stockpile inventory.

A portion amounting to ₱49.7 million and ₱55.3 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 September 30, 2020 and December 31, 2019, respectively, and the cost of long-term stockpile inventory delivered to CBNC for the nine months ended September 30, 2020 and 2019 of ₱100.9 million and nil, respectively, were charged to "Cost of sale of ore" (see Note 18).

The carrying value of long-term stockpile inventory - net of current portion amounted to ₱10.3 million and ₱105.6 million as at September 30, 2020 and December 31, 2019, respectively.

## 12. 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 (OGI) and Biliran Geothermal Holdings Inc. (BGHI), which has no fixed repayment date (see Note 30), 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.

## 13. Short-term and Long-term Debts

Short-term debts

*Security Bank Corporation (SBC)*

On July 19, 2019, SBC approved the renewal of EPI's original loan facility to the extent of ₱1,500.0 million. On July 26, 2019 and September 16, 2019, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively, which was used to settle promissory notes under the original SBC loan facility, which matured in 2019.

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, which was used to settle promissory notes under the original SBC loan facility, which matured in 2020.

The loan facility is secured by a continuing suretyship of the Parent Company.

Details of the drawdowns are as follows:

**September 30, 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** |
| | | | | **₱1,500,000** | **₱11,047** |

December 31, 2019

| Drawdowns | Drawdown Date | Maturity Date | Interest Rate | Amount | Debt Issue Costs |
|---|---|---|---|---|---|
| First | July 26, 2019 | July 20, 2020 | 7.25% | ₱300,000 | ₱2,220 |
| Second | September 16, 2019 | September 10, 2020 | 6.50% | 1,200,000 | 8,877 |
| | | | | ₱1,500,000 | ₱11,097 |

The carrying amount of short-term debts with SBC, net of unamortized debt issue cost, follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Loans payable | **₱1,500,000** | ₱1,500,000 |
| Less unamortized debt issue cost | **(10,130)** | (7,596) |
| Balances at end of period | **₱1,489,870** | ₱1,492,404 |

Interest incurred in connection with the loans amounted to ₱80.2 million and ₱90.0 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 27).

Long-term debts

*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 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 loan is unsecured and shall be drawn in one or multiple times by July 31, 2011.

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 September 30, 2020 and December 31, 2019, TMC is in compliance with the restrictions.

Interest expense for the nine months ended September 30, 2020 and 2019 amounted to ₱26.2 million and ₱39.0 million, respectively (see Notes 27 and 30).

As at September 30, 2020 and December 31, 2019, the carrying amount of long-term debt with THNC amounted to ₱933.5 million and ₱1,019.0 million, respectively (see Note 30).

*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 30MW solar project. On July 23, 2020 and August 27, 2020, JSI made drawdowns amounting to USD1.2 million (equivalent to ₱60.8 million) and US$0.5 million (equivalent to ₱24.1 million), respectively.

Details of the drawdowns as of September 30, 2020 are as follows:

| | | September 30, 2020 | | | |
|---|---|---|---|---|---|
| **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** |
| | | | | **₱84,933** | **₱637** |

The carrying amount of short-term debts with TBEA, net of unamortized debt issue cost, follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Loans payable | **₱84,933** | ₱– |
| Less unamortized debt issue cost | **(537)** | – |
| Balances at end of period | **₱84,396** | ₱– |

The capitalized borrowing costs amounted to ₱0.8 million and nil for the nine months ended September 30, 2020 and 2019, respectively.

*Land Bank of the Philippines (LBP)*
On April 26, 2016, JSI entered into a twelve (12)-year term loan agreement with LBP amounting to ₱300.0 million to partially finance the construction and development of a 7MW Sta. Rita Solar Power Plant and inter-connection assets located in Subic Bay Freeport Zone (SBFZ). The loan is subject to an interest based on the applicable benchmark rate (3-month PDST-R2) plus a minimum spread of 1.50% per annum (p.a.), with a floor rate of 4.75% p.a., subject to quarterly repricing. The loan is payable in forty-four (44) equal quarterly payments, starting at the end of the fifth (5th) quarter from the date of the initial loan and interest is payable quarterly in arrears from the date of initial loan. JSI is also required to pay gross receipt tax equal to 1% of each interest payment.

The loan is secured by the following:
a) Chattel mortgage on the 7MW Sta. Rita Solar Power Plant
b) Corporate guarantee of EPI
c) Assignment of leasehold rights between JSI and Subic Bay Metropolitan Authority on the lot at Mt. Sta. Rita, SBFZ, and 2,300 square meter (sq.m.) lot and 280 sq.m. building located near the NGCP's facility, Subic Gateway Park, SBFZ
d) Pledge of shares of stock of JSI

The loan agreement contains positive, negative and financial covenants which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, and the maintenance of certain financial and project ratios. JSI has been compliant with the covenants contained in the loan agreement. On November 18, 2019, JSI made a full settlement of its loan from LBP, which resulted to the release of mortgage and collaterals pledged.

Interest expense for the nine months ended September 30, 2020 and 2019 amounted to nil and ₱13.0 million, respectively (see Note 27).

## 14. 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 nine months ended September 30, 2020 and 2019, accretion of interest on provision for mine rehabilitation and decommissioning amounted to ₱10.2 million and ₱5.6 million, respectively (see Note 27).

## 15. Equity

Capital Stock
The capital structure of the Parent Company follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (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 as at September 30, 2020 and 13,651,538,117 as at December 31, 2019 | **₱6,842,636** | ₱6,842,636 |
| Preferred stock - ₱0.01 par value | | |
| Authorized and Issued - 720,000,000 shares | **7,200** | 7,200 |
| Total | **₱6,849,836** | ₱6,849,836 |

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7% p.a.

Issued Capital Stock
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 September 30, 2020 and December 31, 2019, a total of 29% or 3,970,191,405 common shares and 32% or 4,367,937,638 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty-six (86) and ninety-two (92) shareholders, respectively, while the balance of 71% or a total of 9,660,658,712 common shares and 68% or a total of 9,283,600,479 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, 2018 | 13,685,272,117 | (9,357,000) | 13,675,915,117 |
| Acquisitions during the year | – | (24,377,000) | (24,377,000) |
| Balances at December 31, 2019 | 13,685,272,117 | (33,734,000) | 13,651,538,117 |
| Acquisitions during the period | – | (20,688,000) | (20,688,000) |
| Balances at September 30, 2020 | 13,685,272,117 | (54,422,000) | 13,630,850,117 |

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 |
|---|---|---|---|---|---|---|
| **2020** | ***Cash Dividends*** | | | | | |
| | **Regular** | **March 13, 2020** | **March 27, 2020** | **₱1,090,638** | **₱0.08** | **April 8, 2020** |
| | **Special** | **August 7, 2020** | **August 24, 2020** | **2,998,787** | **0.22** | **September 4, 2020** |
| 2019 | *Cash Dividends* | 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.

*HMC*

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 September 30, 2020 and December 31, 2019, 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 and a total of 33,734,000 of its own common shares at an average price of ₱2.6072 per share or a total of ₱88.0 million, respectively.

## 16. Executive Stock Option Plan (ESOP)

*2018 ESOP*

On April 5, 2018, the New Plan was approved by the Parent Company's BOD and was ratified by the stockholders on May 28, 2018. As at November 6, 2020, the New Plan is yet to be approved by the SEC. The basic terms and conditions of the New Plan are as follows:

1. The New Plan covers up to 155.0 million shares allocated to the Parent Company's eligible participants. On March 13, 2020, the Parent Company's BOD approved the increase in the number of shares reserved for the New Plan to 375.0 million shares.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, 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 New Plan was partially granted on June 15, 2018.
5. The term of the New 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 New Plan.
6. The participant can exercise the vested options by giving notice within the term of the New 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.

*2014 ESOP*

On March 24, 2014, the Plan was approved by the Parent Company's BOD and was ratified by the stockholders on June 6, 2014. On November 21, 2014, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 32.0 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 subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price are as follows:

| Exercise prices, before stock dividends | Equivalent exercise prices, after the effect of stock dividends |
|---:|---:|
| ₱25.52 | ₱4.73 |
| 6.11 | 3.39 |
| 6.04 | 3.36 |
| 5.94 | 3.30 |
| 5.67 | 3.15 |
| 5.62 | 3.12 |
| 5.03 | 2.79 |

4. The Plan was partially granted on June 6, 2014, January 13, 2015 and July 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% per year after the first year of the Plan or July 18, 2015.
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 values of the stock option are ₱7.53, ₱8.42 and an average of ₱0.23, which were estimated as at grant date, June 6, 2014, January 13, 2015 and July 15, 2018, respectively, 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 | | 2014 ESOP | |
|---|---|---|---|---|
| Grant date | June 15, 2018 | July 15, 2018 | January 13, 2015 | June 6, 2014 |
| Spot price per share | ₱5.01 | ₱4.34 | ₱15.63 | ₱28.55 |
| Exercise price | ₱4.38 | ₱5.72* | ₱8.51 | ₱25.52 |
| Expected volatility | 45.34% | 37.14% | 33.52% | 33.28% |
| Option life | 5.00 years | 0.89 years | 4.40 years | 5.00 years |
| Dividend yield | 2.16% | 2.49% | 0.58% | 3.88% |
| Risk-free rate | 5.93% | 4.52% | 3.23% | 3.30% |

* Based on average exercise prices

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

There have been no modifications or cancellations for the nine months ended September 30, 2020 and 2019.

The following table illustrates the number of stock options and its movements during the period:

| | Number of Options | |
|---|---|---|
| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
| *2018 ESOP* | **278,947,780** | 278,947,780 |
| *2014 ESOP* | | |
| Balances at January 1 | – | 103,740,335 |
| Forfeited | – | (103,740,335) |
| Balances at end of period | – | – |

The movements in the cost of share-based payment plan included in equity are as follows:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Balances at January 1 | **₱370,522** | ₱240,003 |
| Stock option expense (see Note 24) | **51,939** | 130,519 |
| Balances at end of period | **₱422,461** | ₱370,522 |

## 17. Earnings Per Share

The following reflects the income and share data used in the basic and diluted EPS computations:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| a. Net income attributable to equity holders of the Parent | **₱2,299,580** | ₱1,923,668 |
| b. Weighted average number of common shares for basic EPS (in thousands) | **13,634,805** | 13,672,404 |
| c. Weighted average number of common shares adjusted for the effect of dilution (in thousands) | **13,634,805** | 13,672,404 |
| Basic/Diluted EPS | **₱0.17** | ₱0.14 |

## 18. Cost of Sales

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Cost of sale of: | | |
| Ore | **₱5,435,005** | ₱5,451,495 |
| Quarry materials | **223,785** | – |
| Limestone | **200,833** | 191,642 |
| | **₱5,859,623** | ₱5,643,137 |

Details of cost of sales follow:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Production overhead | **₱1,848,475** | ₱2,476,732 |
| Outside services | **1,542,780** | 1,725,288 |
| Personnel costs (see Note 24) | **870,558** | 838,863 |
| Depreciation, amortization and depletion (see Note 25) | **609,615** | 636,394 |
| Long-term stockpile inventory sold (see Note 11) | **100,923** | – |
| | **4,972,351** | 5,677,277 |
| Net changes in beneficiated nickel ore and limestone | **887,272** | (34,140) |
| | **₱5,859,623** | ₱5,643,137 |

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.

## 19. Cost of Services

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Personnel costs (see Note 24) | **₱104,233** | ₱84,459 |
| Depreciation (see Note 25) | **77,696** | 79,343 |
| Overhead | **62,117** | 79,756 |
| Outside services | **6,316** | 6,861 |
| | **₱250,362** | ₱250,419 |

## 20. Cost of Power Generation

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Depreciation and amortization (see Note 25) | **₱158,371** | ₱158,906 |
| Overhead | **34,921** | 62,776 |
| Personnel costs (see Note 24) | **18,139** | 16,360 |
| Outside services | **12,920** | 9,371 |
| Materials and supplies | **5,278** | 17,166 |
| | **₱229,629** | ₱264,579 |

Overhead in cost of power generation consists of insurance, taxes and licenses, utilities and other miscellaneous charges.

## 21. Excise Taxes and Royalties

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Royalties | **₱987,050** | ₱862,196 |
| Excise taxes | **575,692** | 513,383 |
| | **₱1,562,742** | ₱1,375,579 |

## 22. Shipping and Loading Costs

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Contract fees | **₱1,000,612** | ₱938,884 |
| Fuel, oil and lubricants | **182,173** | 218,879 |
| Depreciation and amortization (see Note 25) | **119,251** | 101,618 |
| Personnel costs (see Note 24) | **79,651** | 72,885 |
| Materials and supplies | **75,274** | 77,938 |
| Other services and fees | **94,204** | 53,446 |
| | **₱1,551,165** | ₱1,463,650 |

## 23. General and Administrative Expenses

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Personnel costs (see Note 24) | **₱327,442** | ₱337,169 |
| Depreciation and amortization (see Note 25) | **111,916** | 70,887 |
| Taxes and licenses | **72,134** | 108,263 |
| Professional fees | **40,586** | 32,027 |
| Outside services | **33,535** | 38,299 |
| Dues and subscriptions | **18,012** | 13,542 |
| Supplies | **17,341** | 25,575 |
| Repairs and maintenance | **15,430** | 8,536 |
| Transportation and travel | **13,977** | 24,369 |
| Publicity and promotions | **10,864** | 27,104 |
| Rentals | **7,821** | 9,413 |
| Communications, light and water | **7,684** | 8,349 |
| Entertainment, amusement and recreation | **7,170** | 13,608 |
| Others | **47,123** | 67,460 |
| | **₱731,035** | ₱784,601 |

Other general and administrative expenses are composed of other service fees and other numerous transactions with minimal amounts.

## 24. Personnel Costs

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Salaries, wages and employee benefits | **₱1,348,084** | ₱1,250,851 |
| Cost of share-based payment plan (see Note 16) | **51,939** | 98,885 |
| | **₱1,400,023** | ₱1,349,736 |

The amounts of personnel costs are distributed as follows:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Cost of : | | |
| Sales (see Note 18) | **₱870,558** | ₱838,863 |
| Services (see Note 19) | **104,233** | 84,459 |
| Power generation (see Note 20) | **18,139** | 16,360 |
| General and administrative (see Note 23) | **327,442** | 337,169 |
| Shipping and loading costs (see Note 22) | **79,651** | 72,885 |
| | **₱1,400,023** | ₱1,349,736 |

## 25. Depreciation, Amortization and Depletion

The amounts of depreciation, amortization and depletion expense, including amortization of right-of-use (ROU) assets, are distributed as follows:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Cost of: | | |
| Sales (see Note 18) | **₱609,615** | ₱636,394 |
| Power generation (see Note 20) | **158,371** | 158,906 |
| Services (see Note 19) | **77,696** | 79,343 |
| Shipping and loading costs (see Note 22) | **119,251** | 101,618 |
| General and administrative (see Note 23) | **111,916** | 70,887 |
| Others | **6,159** | 4,900 |
| | **₱1,083,008** | ₱1,052,048 |

The above is distributed as follows:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Property and equipment (see Note 8) | **₱1,073,811** | ₱1,049,980 |
| Computer software under "Other noncurrent assets" | **9,197** | 2,068 |
| | **₱1,083,008** | ₱1,052,048 |

## 26. Finance Income

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Interest income from: | | |
| Cash and cash equivalents and others | **₱84,992** | ₱192,077 |
| Financial assets at (see Note 7): | | |
| FVOCI | **79,737** | 78,589 |
| Amortized cost | **9,297** | 14,427 |
| FVTPL | **7,825** | 3,270 |
| Loans | **17,910** | 19,561 |
| Long-term negotiable instruments | **1,042** | 1,988 |
| | **₱200,803** | ₱309,912 |

## 27. Finance Expenses

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Interest expense on: | | |
| Short-term debts (see Note 13) | **₱80,221** | ₱90,020 |
| Long-term debts (see Notes 13 and 30) | **26,166** | 51,933 |
| Pension | **20,705** | 15,494 |
| Accretion of interest on: | | |
| Lease liabilities (see Note 31) | **40,319** | 41,954 |
| Provision for mine rehabilitation and decommissioning (see Note 14) | **10,239** | 5,554 |
| Long-term payable | **595** | 733 |
| Guarantee service fee (see Note 30) | **38,813** | 48,671 |
| | **₱217,058** | ₱254,359 |

## 28. Other Income (Charges) - Net

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Foreign exchange losses - net | **(₱333,536)** | (₱104,851) |
| Gain (loss) on: | | |
| Sale of financial assets at FVOCI | **46,689** | 12,827 |
| Changes in fair value of financial assets at FVTPL (see Note 7) | **(23,236)** | 80,347 |
| Write-off of input value added tax (VAT) | **(8,649)** | – |
| Sale of property and equipment | **932** | 1,452 |
| Redemption of financial assets at amortized cost | – | 200 |
| Dividend income (see Note 7) | **31,328** | 40,530 |
| Provision for impairment losses on: | | |
| Inventories (see Note 6) | **(15,539)** | – |
| Input VAT | – | (1,624) |
| Rentals and accommodations | **9,446** | 11,447 |
| Management fee | **(9,403)** | (10,653) |
| Issuance of fuel, oil and lubricants | **1,713** | 312 |
| Others | **124,198** | 65,127 |
| | **(₱176,057)** | ₱95,114 |

## 29. 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 nine months ended September 30, 2020 and 2019:

| | **For the nine-month period ended September 30, 2020 (Unaudited)** | | | |
|---|---|---|---|---|
| | **China** | **Local** | **Japan** | **Total** |
| Sale of (see Note 30): | | | | |
| Ore | **₱10,417,934** | **₱2,566,882** | **₱742,187** | **₱13,727,003** |
| Limestone | – | **280,787** | – | **280,787** |
| | **₱10,417,934** | **₱2,847,669** | **₱742,187** | **₱14,007,790** |

| | For the nine-month period ended September 30, 2019 (Unaudited) | | | |
|---|---|---|---|---|
| | China | Local | Japan | Total |
| Sale of (see Note 30): | | | | |
| Ore | ₱8,555,688 | ₱2,589,623 | ₱1,426,286 | ₱12,571,597 |
| Limestone | – | 262,301 | – | 262,301 |
| | ₱8,555,688 | ₱2,851,924 | ₱1,426,286 | ₱12,833,898 |

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| **Services and others** (see Note 30) | | |
| Materials handling and others | **₱504,167** | ₱497,299 |
| Sale of quarry materials | **384,504** | – |
| | **₱888,671** | ₱497,299 |
| **Sale of power** | | |
| Solar | **₱95,413** | ₱223,664 |
| Diesel | **22,088** | 30,598 |
| | **₱117,501** | ₱254,262 |

## 30. Related Party Transactions

Set out below are the Group's transactions with related parties for the nine-month period ended September 30, 2020 and 2019, including the corresponding assets and liabilities arising from the said transactions as at September 30, 2020 (Unaudited) and December 31, 2019 (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 13) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | Terms | Conditions |
| *Stockholders* | | | | | | | | | | | | | | |
| **Pacific Metals Co., Ltd.** | | | | | | | | | | | | | | |
| Sale of ore | **₱742,187** | ₱1,426,286 | **₱118,785** | ₱15,782 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | 90% upon receipt of documents and 10% after the final dry weight and applicable assay have been determined; noninterest-bearing | Unsecured; no guarantee |
| Despatch income and others | **337** | 9,206 | **–** | 293 | **–** | 17,114 | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |
| Dividends | **1,002,000** | 515,000 | **–** | – | **–** | 574,400 | **–** | – | **–** | – | **–** | – | Payable on agreed pay-out date | Unsecured; no guarantee |
| **Sumitomo Metal Mining Philippine Holdings Corporation** | | | | | | | | | | | | | | |
| Short-term advances | **–** | 1,250 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |

(Forward)

| | 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 13) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | Terms | Conditions |
| **Sumitomo Metal Mining Co., Ltd.** | | | | | | | | | | | | | | |
| Guarantee service fee (see Note 27) | **₱38,813** | ₱48,671 | **₱–** | ₱– | **₱2,760** | ₱19,362 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | Every twenty first (21st) of February, March, August and September | Unsecured |
| *With Common Stockholders* | | | | | | | | | | | | | | |
| **Manta** | | | | | | | | | | | | | | |
| Rentals, dues and utilities | **28,160** | 26,988 | **–** | – | **136** | 248 | **–** | – | **–** | – | **–** | – | Payable upon billing; noninterest-bearing | Unsecured; no guarantee |
| Rental deposits | **–** | – | **–** | – | **–** | 19 | **–** | – | **–** | – | **–** | – | Collectible at the end of the lease; noninterest-bearing | Unsecured; no guarantee |
| Sale of power | **–** | 21,567 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| *Associates* | | | | | | | | | | | | | | |
| **CBNC** | | | | | | | | | | | | | | |
| Sale of ore and limestone | **1,085,916** | 1,148,281 | **144,070** | 83,902 | **–** | – | **–** | – | **–** | – | **–** | – | Thirty (30) days term; noninterest-bearing | Unsecured; no guarantee |
| Materials handling | **171,518** | 174,745 | **98,187** | 94,211 | **–** | – | **–** | – | **–** | – | **–** | – | Fifteen (15) days term; noninterest-bearing | Unsecured; no guarantee |
| Infralease and throughput | **3,722** | 3,869 | **19,084** | 12,737 | **–** | – | **–** | – | **–** | – | **–** | – | Collectible at the end of February and August; noninterest-bearing | Unsecured; no guarantee |
| Other income | **156,311** | 97,944 | **9,698** | 12,735 | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |

(Forward)

| | 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 13) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | Terms | Conditions |
| **THNC** | | | | | | | | | | | | | | |
| Sale of ore | **₱1,680,909** | ₱1,629,435 | **₱230,155** | ₱120,364 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | Thirty (30) days term, noninterest-bearing | Unsecured; no guarantee |
| Sale of quarry materials | **384,504** | – | **63,453** | 92,633 | **–** | – | **–** | – | **–** | – | **–** | – | Thirty (30) days term, noninterest-bearing | Unsecured; no guarantee |
| Rendering of service | **100,045** | 111,800 | **60,384** | 34,938 | **–** | – | **–** | – | **–** | – | **–** | – | Semi-annual term; noninterest-bearing | Unsecured; no guarantee |
| Materials handling | **204,324** | 179,078 | **25,593** | 33,227 | **–** | – | **–** | – | **–** | – | **–** | – | Fifteen (15) days term; noninterest-bearing | Unsecured; no guarantee |
| Rental income | **5,206** | 5,206 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |
| Rental deposit | **–** | – | **–** | – | **3,352** | 3,471 | **–** | – | **–** | – | **–** | – | Collectible at the end of the lease term; noninterest-bearing | Unsecured; no guarantee |
| Loan facility | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **933,528** | 1,019,029 | Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread | Unsecured; with guarantee |

(Forward)

| | 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 13) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | Terms | Conditions |
| **THNC** | | | | | | | | | | | | | | |
| Interest expense on long-term debt (see Notes 13 and 27) | **₱26,166** | ₱38,961 | **₱–** | ₱– | **₱12,381** | ₱7,915 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | Payable semi-annually on April 10 and October 10 | Unsecured; no guarantee |
| Short-term advances | – | – | – | – | – | – | **1,837** | 2,533 | – | – | – | – | Collectible upon billing; noninterest-bearing; with allowance for ECL of ₱4.2 million as at September 30, 2020 and December 31, 2019 | Unsecured; no guarantee |
| *Affiliates* | | | | | | | | | | | | | | |
| **OGI** | | | | | | | | | | | | | | |
| Short-term advances | – | – | – | – | – | – | – | – | **1,135,911** | 1,135,911 | – | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| **Orka Geothermal Holdings, Inc.** | | | | | | | | | | | | | | |
| Short-term advances | – | – | – | – | – | – | **666** | 666 | – | – | – | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| **BGHI** | | | | | | | | | | | | | | |
| Short-term advances | – | – | – | – | – | – | **19** | 19 | **4,194,305** | 4,194,305 | – | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| | | | **₱769,409** | ₱500,822 | **₱18,629** | ₱622,529 | **₱2,522** | ₱3,218 | **₱5,330,216** | ₱5,330,216 | **₱933,528** | ₱1,019,029 | | |

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 September 30, 2020 and December 31, 2019 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.

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 nine months ended September 30, 2020 and 2019 amounted to about ₱231.9 million and ₱204.7 million, respectively.

Intercompany Guarantees
As discussed in Note 13, the Parent Company has entered into a Continuing Suretyship Agreement with SBC covering the loan obtained by EPI.

Except for the guarantee on the THNC loan obligations and the EPI loan from SBC, there have been no guarantees received or provided for any related party receivables or payables, respectively.

## 31. Leases

The lease liabilities as at September 30, 2020 and December 31, 2019, discounted using incremental borrowing rate, are as follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Lease liabilities | **₱608,058** | ₱606,678 |
| Less noncurrent portion | **579,916** | 581,537 |
| Current portion | **₱28,142** | ₱25,141 |

The rollforward analysis of lease liabilities as at September 30, 2020 and December 31, 2019 follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Balances at January 1 | **₱606,678** | ₱639,885 |
| Additions | – | 1,724 |
| Accretion of interest (see Note 27) | **40,319** | 55,342 |
| Payments | **(38,939)** | (90,273) |
| Balances at end of period | **₱608,058** | ₱606,678 |

For the nine months ended September 30, 2020 and 2019, accretion of interest on lease liabilities amounted to ₱40.3 million and ₱42.0 million, respectively (see Note 27), while the amortization of ROU assets included in “Property and equipment” amounted to ₱30.1 million and ₱29.2 million, respectively.

## 32. Income Taxes

The provision for (benefit from) income tax shown in the interim consolidated statements of income includes:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| | (Unaudited) | |
| Current | **₱1,504,755** | ₱1,228,400 |
| Deferred | **(83,111)** | (63,712) |
| | **₱1,421,644** | ₱1,164,688 |

## 33. 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*
The carrying amounts of cash and cash equivalents 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.

*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.

*Financial Assets at FVOCI and at FVTPL*
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.

*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 date (unobservable inputs; Level 3).

As at September 30, 2020 and December 31, 2019, the Group's financial assets in debt and equity securities are classified under Level 1 and 3.

As at September 30, 2020 and December 31, 2019, 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.

## 34. 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.

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 core net income (loss) in evaluating total performance. Core 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 excluding the effects of nonrecurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on disposal of investments, and other nonrecurring gains (losses).

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, financial assets at FVOCI, at FVTPL 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 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.

| | September 30, 2020 (Unaudited) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mining | | | | | Power | | Services | | | | |
| | HMC | CMC | TMC | RTN | DMC | EPI | NAC | RTN/TMC | HMC | Others | Eliminations | Total |
| **External customers** | ₱1,615,094 | ₱3,729,876 | ₱6,207,480 | ₱2,839,844 | ₱– | ₱95,413 | ₱122,842 | ₱504,167 | ₱– | ₱– | ₱– | ₱15,114,716 |
| **Inter-segment revenues** | – | – | – | – | – | – | – | – | – | 522,203 | (522,203) | – |
| **Total revenues** | 1,615,094 | 3,729,876 | 6,207,480 | 2,839,844 | – | 95,413 | 122,842 | 504,167 | – | 522,203 | (522,203) | 15,114,716 |
| **Cost of sales** | 880,505 | 1,259,986 | 2,263,063 | 1,456,069 | – | – | – | – | – | – | – | 5,859,623 |
| **Cost of services** | – | – | – | – | – | – | – | 250,362 | – | – | – | 250,362 |
| **Cost of power generation** | – | – | – | – | – | 156,107 | 73,522 | – | – | – | – | 229,629 |
| **Excise taxes and royalties** | 145,359 | 654,643 | 620,748 | 141,992 | – | – | – | – | – | – | – | 1,562,742 |
| **Shipping and loading costs** | 191,755 | 455,335 | 727,554 | 169,387 | – | – | – | – | 7,134 | – | – | 1,551,165 |
| **Marketing** | – | 145,412 | 27,806 | – | – | – | – | – | – | – | – | 173,218 |
| **Segment operating earnings (loss)** | ₱397,475 | ₱1,214,500 | ₱2,568,309 | ₱1,072,396 | ₱– | (₱60,694) | ₱49,320 | ₱253,805 | (₱7,134) | ₱522,203 | (₱522,203) | ₱5,487,977 |
| **General and administrative** | ₱56,575 | ₱35,526 | ₱72,234 | ₱56,607 | ₱92,681 | ₱48,017 | ₱– | ₱– | ₱– | ₱369,395 | ₱– | ₱731,035 |
| **Finance income** | ₱922 | ₱22,994 | ₱21,023 | ₱15,493 | ₱26 | ₱117 | ₱2,173 | ₱– | ₱– | ₱138,055 | ₱– | ₱200,803 |
| **Finance expenses** | ₱2,569 | ₱3,654 | ₱40,260 | ₱10,093 | ₱36 | ₱115,581 | ₱– | ₱– | ₱– | ₱44,865 | ₱– | ₱217,058 |
| **Provision for (benefit from) income tax** | ₱82,034 | ₱311,981 | ₱699,907 | ₱313,959 | ₱– | (₱77) | ₱– | ₱– | (₱2,140) | ₱15,980 | ₱– | ₱1,421,644 |
| **Net income (loss) attributable to equity holders of the parent** | ₱264,690 | ₱842,523 | ₱1,332,055 | ₱535,305 | (₱92,691) | (₱186,532) | ₱51,495 | ₱– | ₱– | (₱447,265) | ₱– | ₱2,299,580 |
| **Segment assets** | ₱1,641,255 | ₱4,148,577 | ₱9,661,200 | ₱3,843,129 | ₱1,293,877 | ₱12,539,936 | ₱1,019,070 | ₱– | ₱41,336 | ₱12,395,724 | ₱– | ₱46,584,104 |
| **Deferred income tax assets - net** | 41,010 | 43,441 | 6,234 | 78,496 | 49,197 | – | – | – | – | 100,293 | – | 318,671 |
| **Total assets** | ₱1,682,265 | ₱4,192,018 | ₱9,667,434 | ₱3,921,625 | ₱1,343,074 | ₱12,539,936 | ₱1,019,070 | ₱– | ₱41,336 | ₱12,496,017 | ₱– | ₱46,902,775 |
| **Segment liabilities** | ₱365,679 | ₱1,024,955 | ₱2,836,154 | ₱821,766 | ₱100,381 | ₱7,547,137 | ₱7,501 | ₱– | ₱– | ₱580,907 | ₱– | ₱13,284,480 |
| **Deferred income tax liabilities** | – | – | – | 88,021 | 164,105 | 99,247 | – | – | 12,567 | 99,299 | – | 463,239 |
| **Total liabilities** | ₱365,679 | ₱1,024,955 | ₱2,836,154 | ₱909,787 | ₱264,486 | ₱7,646,384 | ₱7,501 | ₱– | ₱12,567 | ₱680,206 | ₱– | ₱13,747,719 |
| *Other segment information:* | | | | | | | | | | | | |
| **Capital expenditures** | ₱78,924 | ₱74,733 | ₱443,366 | ₱51,046 | ₱8,210 | ₱814,711 | ₱2,691 | ₱– | ₱– | ₱10,177 | ₱– | ₱1,483,858 |
| **Depreciation, amortization and depletion** | ₱117,234 | ₱134,340 | ₱442,682 | ₱133,193 | ₱34,142 | ₱119,926 | ₱41,826 | ₱– | ₱7,134 | ₱52,531 | ₱– | ₱1,083,008 |

| | December 31, 2019 (Audited) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mining | | | | | Power | | Services | | | | |
| | HMC | CMC | TMC | RTN | DMC | EPI | NAC | RTN/TMC | HMC | Others | Eliminations | Total |
| 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 | 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 services | – | – | – | – | – | – | – | 331,819 | – | – | – | 331,819 |
| Cost of power generation | – | – | – | – | – | 261,072 | 116,395 | – | – | – | – | 377,467 |
| 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 |
| Segment operating earnings (loss) | ₱490,821 | ₱974,890 | ₱3,501,878 | ₱1,073,999 | ₱– | (₱25,515) | ₱40,299 | ₱349,909 | (₱2,608) | ₱623,372 | (₱630,277) | ₱6,396,768 |
| 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 | ₱96,107 | ₱233,654 | ₱990,870 | ₱303,804 | (₱7,572) | (₱14,313) | ₱– | ₱– | ₱– | ₱52,956 | ₱– | ₱1,655,506 |
| Net income (loss) attributable to equity holders of the parent | ₱281,948 | ₱686,503 | ₱1,973,658 | ₱536,034 | (₱143,717) | (₱231,716) | ₱43,710 | ₱– | ₱– | (₱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 - net | 46,338 | 47,143 | 128,207 | 131,690 | 69,959 | 2,922 | – | – | – | 72,005 | – | 498,264 |
| Total assets | ₱1,626,299 | ₱3,157,254 | ₱11,230,268 | ₱4,139,213 | ₱1,402,248 | ₱11,606,054 | ₱1,009,087 | ₱– | ₱48,764 | ₱14,042,766 | ₱– | ₱48,261,953 |
| 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 |
| Total liabilities | ₱205,230 | ₱383,581 | ₱2,932,727 | ₱1,108,806 | ₱287,491 | ₱7,563,650 | ₱9,243 | ₱– | ₱14,707 | ₱625,257 | ₱– | ₱13,130,692 |
| *Other segment information:* | | | | | | | | | | | | |
| 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 | ₱182,046 | ₱580,296 | ₱168,759 | ₱37,419 | ₱160,725 | ₱55,823 | ₱– | ₱9,513 | ₱28,599 | ₱– | ₱1,398,310 |

| | September 30, 2019 (Unaudited) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mining | | | | | Power | | Services | | | | |
| | HMC | CMC | TMC | RTN | DMC | EPI | NAC | RTN/TMC | HMC | Others | Eliminations | Total |
| External customers | ₱1,573,624 | ₱3,099,292 | ₱5,639,628 | ₱2,521,354 | ₱– | ₱223,664 | ₱108,962 | ₱497,299 | ₱– | ₱– | ₱– | ₱13,663,823 |
| Inter-segment revenues | – | – | – | – | – | – | – | – | 776 | 476,218 | (476,994) | – |
| Total revenues | 1,573,624 | 3,099,292 | 5,639,628 | 2,521,354 | – | 223,664 | 108,962 | 497,299 | 776 | 476,218 | (476,994) | 13,663,823 |
| Cost of sales | 760,897 | 1,238,888 | 2,316,416 | 1,326,936 | – | – | – | – | – | – | – | 5,643,137 |
| Cost of services | – | – | – | – | – | – | – | 250,419 | – | – | – | 250,419 |
| Cost of power generation | – | – | – | – | – | 179,387 | 85,192 | – | – | – | – | 264,579 |
| Excise taxes and royalties | 142,463 | 543,052 | 563,963 | 126,101 | – | – | – | – | – | – | – | 1,375,579 |
| Shipping and loading costs | 208,011 | 483,348 | 615,201 | 149,956 | – | – | – | – | 7,134 | – | – | 1,463,650 |
| Marketing | 10,131 | 107,976 | 16,237 | – | – | – | – | – | – | – | – | 134,344 |
| Segment operating earnings (loss) | ₱452,122 | ₱726,028 | ₱2,127,811 | ₱918,361 | ₱– | ₱44,277 | ₱23,770 | ₱246,880 | (₱6,358) | ₱476,218 | (₱476,994) | ₱4,532,115 |
| General and administrative | ₱75,479 | ₱36,771 | ₱76,917 | ₱74,545 | ₱110,689 | ₱58,640 | ₱– | ₱– | ₱– | ₱351,560 | ₱– | ₱784,601 |
| Finance income | ₱1,894 | ₱25,505 | ₱45,353 | ₱31,755 | ₱28 | ₱133 | ₱2,592 | ₱– | ₱– | ₱202,652 | ₱– | ₱309,912 |
| Finance expenses | ₱513 | ₱3,025 | ₱10,072 | ₱8,092 | ₱45 | ₱138,695 | ₱– | ₱38,961 | ₱– | ₱54,956 | ₱– | ₱254,359 |
| Provision for (benefit from) income tax | ₱98,437 | ₱177,692 | ₱584,352 | ₱253,071 | ₱– | (₱631) | ₱– | ₱– | ₱– | ₱51,767 | ₱– | ₱1,164,688 |
| Net income (loss) attributable to equity holders of the parent | ₱275,813 | ₱531,280 | ₱1,147,615 | ₱470,493 | (₱110,843) | (₱126,079) | ₱26,363 | ₱– | ₱– | (₱290,974) | ₱– | ₱1,923,668 |
| Segment assets | ₱1,768,468 | ₱3,370,815 | ₱10,235,331 | ₱3,689,938 | ₱1,308,224 | ₱11,709,874 | ₱966,774 | ₱– | ₱51,142 | ₱14,440,934 | ₱– | ₱47,541,500 |
| Deferred income tax assets | 34,724 | 34,712 | 41,758 | 42,719 | 41,625 | – | – | – | – | – | – | 195,538 |
| Total assets | ₱1,803,192 | ₱3,405,527 | ₱10,277,089 | ₱3,732,657 | ₱1,349,849 | ₱11,709,874 | ₱966,774 | ₱– | ₱51,142 | ₱14,440,934 | ₱– | ₱47,737,038 |
| Segment liabilities | ₱369,549 | ₱670,796 | ₱2,536,417 | ₱555,760 | ₱82,794 | ₱7,789,680 | ₱8,446 | ₱– | ₱– | ₱404,206 | ₱– | ₱12,417,648 |
| Deferred income tax liabilities - net | – | – | – | 118,597 | 164,105 | 113,189 | – | – | 15,421 | 139,670 | – | 550,982 |
| Total liabilities | ₱369,549 | ₱670,796 | ₱2,536,417 | ₱674,357 | ₱246,899 | ₱7,902,869 | ₱8,446 | ₱– | ₱15,421 | ₱543,876 | ₱– | ₱12,968,630 |
| *Other segment information:* | | | | | | | | | | | | |
| Capital expenditures | ₱95,395 | ₱195,743 | ₱357,834 | ₱84,042 | ₱67,053 | ₱87,688 | ₱2,856 | ₱– | ₱– | ₱14,499 | ₱– | ₱905,110 |
| Depreciation, amortization and depletion | ₱131,624 | ₱137,297 | ₱442,029 | ₱123,863 | ₱26,738 | ₱121,405 | ₱41,837 | ₱– | ₱7,134 | ₱20,121 | ₱– | ₱1,052,048 |

The Group has revenues from external customers as follows:

| | For the nine-month period ended September 30 | |
|---|---|---|
| | **2020** | 2019 |
| Country of Domicile | (Unaudited) | |
| China | **₱10,417,934** | ₱8,555,688 |
| Local | **3,954,595** | 3,681,849 |
| Japan | **742,187** | 1,426,286 |
| | **₱15,114,716** | ₱13,663,823 |

The revenue information above is based on the location of the customers. The local customers include CBNC and THNC, which are Philippine Economic Zone Authority-registered entities.

Revenue arising from two key customers for the sale of ores amounted to ₱9,623.5 million and ₱7,501.9 million for the nine months ended September 30, 2020 and 2019, respectively.

## 35. Events after the End of the Financial Reporting Period

*Additional Investment*
On November 6, 2020, the BOD approved the Parent Company's investment in a new company, which shall have an authorized capital stock of ₱100.0 million, that will be engaged in the business of providing various services, including materials handling, mining contractor services, and construction and related services to various parties. The new company shall be wholly-owned by the Parent Company.

*Debt-to-Equity Swap*
On the same date, the Parent Company's BOD also approved the renewal of the loans of EPI, in the aggregate amount of ₱450.0 million under the same terms and conditions of the original loan. The original loans are maturing in 2020 and 2021.

In addition, the BOD approved the grant of an additional ₱170.0 million loan to EPI in 2021.

In relation to these loans, the BOD approved EPI's proposal to repay ₱500.0 million out of its outstanding ₱1,230.0 million loan from the Parent Company by selling ₱500.0 million worth of EPI's shares of stock in its subsidiary, JSI, equivalent to 38% of the total issued and outstanding shares of JSI.

The debt-to-equity swap will result in the reduction of EPI's outstanding liability to the Parent Company to ₱730.0 million.

The acquisition by the Parent Company of 38% of JSI's shares will also enable JSI to comply with the requirement of the ERC that at least 15% of its total issued and outstanding common shares must be publicly-owned.