

COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

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

Contact Person

896-9357 to 59

Telephone Number of the Contact Person

1 2

3 1

Fiscal Year

SEC Form 20-IS  
Definitive Information Sheet

FORM TYPE

Every First Friday of June

Annual Meeting

N/A

Secondary license Type, If Applicable

M S R D

Dept. Requiring this Doc.

n/a

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document I.D.

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Cashier

STAMPS

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

TO OUR STOCKHOLDERS:

Please be informed that the **Annual General Meeting of the stockholders of NICKEL ASIA CORPORATION** will be held online on **Friday, 04 June 2021, 10:00 a.m.** and will be presided at the Company's principal office address at the 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila (the "Annual General Meeting" or "AGM"). The order of business thereat will be as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 17 July 2020 annual general meeting of stockholders
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2020 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2020
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters
10. Adjournment

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

Stockholders of record at the close of business on 25 March 2021 are entitled to notice of, and to vote at, this year's AGM. **Shareholders may only participate via remote communication.** To register, certificated stockholders who will attend the Meeting should send a scanned copy of one (1) valid government identification card (ID) to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com). Indirect shareholders should send scanned copies of their broker's certification and one (1) valid ID to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com). Deadline for registration is on 24 May 2021, at 12NN.

The Company is not soliciting proxies. Should you be unable to attend the meeting, you can nevertheless be represented and vote at the AGM by submitting a proxy by email to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com), or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila. The deadline for submission of proxies is on 24 May 2021.

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

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

**The Definitive Information Statement, Management Report and 2020 Audited Financial Statements accompany this Notice.**

## EXPLANATION AND RATIONALE

For each item on the Agenda of the 2021 Annual General Meeting of Stockholders of Nickel Asia Corporation requiring the vote of stockholders

## AGENDA

**1. Call to Order**

The Chairman will formally open the 2021 Annual General Meeting of Shareholders. The Directors and Officers of the Company will be introduced.

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

The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents with its accompanying documents have been duly provided in accordance with SEC Rules, within the required periods, to stockholders of record as of 25 March 2021.

**3. Certification of quorum**

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

**4. Reading and approval of the Minutes of the 17 July 2020 annual general meeting of stockholders, and action thereon**

Shareholders may examine the Minutes of the 17 July 2020 annual general meeting of stockholders, in accordance with Sec. 73 of the Revised Corporation Code. The Minutes are also available on the Company's website.

**Resolution to be adopted:**

Shareholders will vote for the adoption of a resolution approving the Minutes of the 17 July 2020 annual general meeting of stockholders.

**5. Presentation of annual report and audited financial statements for the year ended 2020 and action thereon**

The annual report and the financial statements of the Company, audited by the Company's external auditors, Sycip Gorres Velayo & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Definitive Information Statement and the Audited Financial Statements for 2020 are likewise made available on the Company's website ([www.nickelasia.com](http://www.nickelasia.com)).

**OPEN FORUM.** After the report, inquiries submitted by stockholders on or before 2 June 2021 via email as stated in the Notice will be answered by the appropriate officer. Due to time considerations, questions not addressed at the meeting will be responded to via email.

**Resolution to be adopted:**

Shareholders will vote for the adoption of a resolution approving the annual report and the audited financial statements for the year ended 2020.

**6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2020**



Actions by the Board and by the officers are contained in the Definitive Information Statement (please see pages 32 to 34 of the Information Statement) or are referred to in the Management Report.

**Resolution to be adopted:**

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

**7. Appointment of independent auditors**

The Audit and Risk Committee screened the nominees for independent external auditor and endorsed the appointment of Sycip Gorres Velayo and Company ("SGV") as the Company's independent external auditors for the year 2021.

**Resolution to be adopted:**

Shareholders will vote on a resolution for the appointment of SGV as independent external auditor of the Company for 2021.

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

The Final List of Candidates for election as directors, as prepared by the Nominations Committee in accordance with the Company's By-Laws, the Revised Manual on Corporate Governance, the Securities Regulation Code and its Implementing Rules and Regulations and SEC guidelines for the election of independent directors, is contained in the Definitive Information Statement (please see page 12). The Final List will be presented to the shareholders, and the election of directors will be held.

The Voting Procedure is stated in the Definitive Information Statement (please see pages 34 to 35).

**9. Other matters**

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

**10. Adjournment**



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **NICKEL ASIA CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **CS200811530**
5. BIR Tax Identification Code: **007-085-191-000**
6. **28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City,**  
**Taguig City, Metro Manila** **1634**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code: **+63 2 8798 7622**
8. Date, time and place of the meeting of security holders:  
**Date : 04 June 2021**  
**Time : 10:00 AM**  
**Place : The meeting will be presided at the 28<sup>th</sup> Floor, NAC Tower,**  
**32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **11 May 2021**
10. In case of Proxy Solicitations: **NOT APPLICABLE**  
Name of Person Filing the Statement/Solicitor:  
Address and Telephone Number:
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- |                               |                                 |
|-------------------------------|---------------------------------|
| <b>Common Stock Issued</b>    | <b>13,685,272,117</b>           |
| <b>Preferred Stock Issued</b> | <b>720,000,000</b>              |
| <b>Long-term Debt</b>         | <b>₱2,495.5 million</b>         |
|                               | <b>(as of 31 December 2020)</b> |
12. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes  No   
If so, disclose the name of Exchange: **The Philippine Stock Exchange, Inc.**

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

**A. GENERAL INFORMATION**

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

The Annual General Meeting (AGM or the "Meeting") of the Stockholders of Nickel Asia Corporation, a corporation organized and existing under the laws of the Philippines with principal office address at the 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila (the "Company") will be held on **Friday, 4 June 2021, 10:00 a.m.** and will be presided at the Company's principal office address provided above. Stockholders may attend the meeting and participate by remote communication only.

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

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 17 July 2020 annual general meeting of stockholders
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2020 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2020
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters
10. Adjournment

**Shareholders may only participate via remote communication.** To register, certificated stockholders who will attend the Meeting should send a scanned copy of one (1) valid government identification card (ID) to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com). Indirect shareholders should send scanned copies of their broker's certification and one (1) valid ID to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com). Deadline for registration is on 24 May 2021, at 12NN.

Once the Company successfully verifies the stockholder's status, the Company will reply to each stockholder with an online ballot for voting purposes, and a link through which the Meeting may be accessed. Questions relating to the Meeting materials may also be sent to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com) on or before 2 June 2021. Due to time considerations, questions that will not be addressed at the Meeting will be responded to via email.

Clarificatory questions regarding attendance via remote communication may be sent via email to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com).

Stockholders can also be represented and vote at the meeting by submitting a proxy by email to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com), or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila. The deadline for submission of proxies is on 24 May 2021.

Proxies will be validated and tabulated by a special committee composed of the Company's stock transfer agent, iStock Transfer Service Inc. 34th Floor, Rufino Plaza, Ayala Avenue, Makati City ("STSI"), the Corporate Secretary, and the Compliance Officer, and will be voted as indicated by the shareholder in the proxy and applicable rules. The tabulation of votes shall be done by the special committee and further reviewed by the Company's independent external auditor, Sycip Gorres Velayo & Co. (SGV & Co.), if necessary.

Voting procedures are contained in Item 19 of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed; please refer to Item 4, and Item 19 for an explanation of cumulative voting.

The Management Report, the Securities Exchange Commission ("SEC") Form 17-A with the Audited Financial Statements for the year ended 31 December 2020 are attached to this Information Statement. Said reports are also uploaded to the Company's website. Upon written request of a shareholder, the Company shall furnish such shareholder with a copy of the said SEC Form 17-A, as filed with the SEC, and the Company's SEC Form 17-Q as of 31 March 2021, free of charge. The contact details for obtaining such copies are on Page 38 of this Information Statement.

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

This Information Statement and Proxy Form shall be sent to security holders on or before 11 May 2021, after the approval of the Definitive Information Statement by the SEC.

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

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

There are no corporate matters or action to be taken during the Meeting on 4 June 2021 that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Revised Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in Section 80 of the Revised Corporation Code of the Philippines:

1. In case of an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
3. In case of merger or consolidation; and
4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.
5. Section 11 of the Revised Corporation Code automatically grants perpetual existence to Corporation existing at the time of its effectivity unless stockholders representing a majority of its outstanding capital stock elect to retain the specific corporate term under its Articles of Incorporation.



However, any change in the corporate term under Section 11 is without prejudice to the appraisal right of dissenting stockholders.

The Revised Corporation Code of the Philippines (at Section 81) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

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

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, except as participants in the Stock Option Plan, the shares reserved for which are proposed to be increased.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken at the meeting.

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

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

As of 31 March 2021, the Company has 13,685,272,117 outstanding common shares and 720,000,000 issued and outstanding preferred shares. Out of the outstanding common shares, 54,422,000 are treasury shares. The remaining 13,630,850,117 issued and outstanding common shares are entitled to vote. Of this number, 8,639,981,568 common shares or 63.39% are owned by Filipinos, and 4,990,868,549 are owned by Non-Filipinos. All of the 720,000,000 issued and outstanding preferred shares are owned by a Filipino company.

Each issued and outstanding common share and preferred share is entitled to one vote.

In sum, the total number of outstanding shares (preferred and common) entitled to vote is 14,350,850,117, out of which 9,359,981,568 shares or 65.22% are owned by Filipinos while 4,990,868,549 shares or 34.78% are owned by non-Filipinos."

Stockholders of record as of 25 March 2021 are entitled to notice and to vote at the Annual General Stockholders' Meeting.

A stockholder entitled to vote at the meeting shall have the right to online by sending an online form via email, or by proxy.

Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 25 March 2021 may vote the number of shares registered in his name for each of the nine (9) directors to be elected; or he may multiply the number of shares registered in his name by nine (9), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the nine (9) directors to be elected.

Voting Procedures are stated in page 36-37 of this Definitive Information Statement.

**Security Ownership of Certain Record and Beneficial Owners**

The following stockholders own more than five percent (5%) of the Company's stock as of 31 March 2021:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
Common	PCD Nominee Corporation (See Note 1)	(See Note 1)	Filipino	7,373,152,912	54.27%
Common	Sumitomo Metal Mining Philippine Holdings Corporation	(See Note 2)	Filipino	2,600,384,267	19.08%
Common	PCD Nominee Corporation	(See Note 3)	Non-Filipino	2,376,130,236	17.36%
Common	Nonillion Holding Corp.	(See Note 4)	Filipino	1,196,000,000	8.77%
Preferred	Nickel Asia Holdings, Inc. (Stockholder) (See Note 4) <b>28/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines</b>	Nickel Asia Holdings, Inc. (See Note 5)	Filipino	720,000,000	100%

(1) PCD Nominee Corporation ("PCD"), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The

beneficial owners of such shares are PCD's participants who hold the shares on their own behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The 54.27% registered under PCD Nominee Corporation (Filipino) includes the 3,529,392,736 shares (25.92%) of Mantra Resources Corporation, 1,830,296,491 shares (13.43%) of Ni Capital Corporation, and 1,014,013,620 (7.4%) shares of Sumitomo Metal Mining Phil. Holdings Corp. (SMM Phil). Mantra Resources Corporation is represented in the Board by Mr. Martin Antonio G. Zamora and Ms. Maria Patricia Z. Riingen, Ni Capital Corporation is represented by Mr. Philip T. Ang, and SMM Phil by Messrs. Masahiro Kamiya and Toru Higo.

No single person or entity holds more than 5% under PCD Nominee Corporation (Non-Filipino) and PCD Nominee Corporation (Filipino), except for SMM Phil who has 1,014,013,620 indirect shares under PCD Nominee Corporation (Non-Filipino).

- (2) SMM Phil is represented in the Board by Messrs. Masahiro Kamiya and Hiroshi Yoshida. In addition to the 2,600,384,267 shares registered in SMM Phil's name, it has 1,014,013,620 indirect shares held through PCD Nominee Corporation (Non-Filipino). Thus, SMM Phil's ownership in the Company is at 26.52%. SMM Phil is beneficially owned by Sumitomo Metal Mining Co., Ltd.
- (3) The beneficial owners of these voting securities are non-Filipinos. Collectively, they hold 17.36% of the Company's voting securities as of 31 March 2021.
- (4) Nonillion Holding Corp. is represented in the Board by Mr. Luis J. L. Virata.
- (5) The stockholders of Nickel Asia Holdings, Inc. include Mr. Manuel B. Zamora, Jr., Mr. Philip T. Ang and Mr. Luis J.L. Virata.

Proxies of the foregoing record owners for the Annual General Stockholders' Meeting on 4 June 2021 have not yet been submitted. The deadline set by the Board of Directors for submission of proxies is on 24 May 2021.

**Security Ownership of Management**

The beneficial ownership of the Company's directors and executive officers as of 31 March 2021 are as follows:

a. Directors

<b>Name</b>	<b>Direct</b>	<b>Indirect</b>	<b>Total direct &amp; indirect shares</b>	<b>% to Total Outstanding Shares</b>
Philip T. Ang	2,910,103	264,664	3,174,767	0.02
Gerard H. Brimo	26,641,344	1,318,665	27,960,009	0.21
Luis Juan L. Virata	1	0	1	0



Martin Antonio G. Zamora	540	15,671	16,211	0
Hiroshi Yoshida	2,023	0	2,023	0
Masahiro Kamiya	2,023	0	2,023	0
Frederick Y. Dy	1,516	0	1,516	0
Maria Patricia Z. Riingen	1,000	910,800	911,800	0.01
Angelo Raymundo Q. Valencia	10,000	5,000	15,000	0
<b>TOTAL</b>	<b>29,568,550</b>	<b>2,514,800</b>	<b>32,083,350</b>	<b>24%</b>

b. Officers

<b>Name</b>	<b>Direct</b>	<b>Indirect</b>	<b>Total direct &amp; indirect shares</b>	<b>% to Total Outstanding Shares</b>
Jose B. Anievas	573,750	4,353,739	4,927,489	0.04
Jose Bayani D. Baylon	0	50,200	50,200	0
Rommel L. Cruz	0	0	0	0
Aloysius C. Diaz	0	108,000	108,000	0
Koichi Ishihara	0	0	0	0
Michio Iwai	0	14,189,166	14,189,166	0.1
Georgina Carolina Y. Martinez	0	3,000	3,000	0
Gerard Ignacio B. Ongkingco	0	0	0	0
Barbara Anne C. Migallos	0	0	0	0
Maria Angela G. Villamor	0	972,554	972,554	0.01
Rolando R. Cruz	1,106,914	594,000	1,700,914	0.01
Romeo T. Tanalgo	0	0	0	0
Jeffrey B. Escoto	0	0	0	0
Rogel C. Cabauatan	0	289,220	289,220	0
Marnelle A. Jalandoon	0	0	0	0

Ryan Rene C. Jornada	0	184,600	184,600	0
Iryan Jean U. Padillo	0	4,500	4,500	0
Manuel B. Zamora, Jr.	84,855	26,703,753	26,788,608	0.2
Patrick S. Garcia	0	34,333	34,333	0
Rodrigo V. Gazmin, Jr.	0	0	0	0
Christopher C. Fernandez	0	0	0	0
<b>TOTAL</b>	<b>1,765,519</b>	<b>47,487,065</b>	<b>49,252,584</b>	<b>0.36</b>

### **Voting Trust Holders/Changes in Control**

There are no voting trust holders of 5% or more of the Company's stock. There are no arrangements that may result in a change of control of the Company.

### **Item 5. Directors and Executive Officers**

#### **Directors**

The names of the incumbent directors of the Company as of 31 March 2021, their respective ages, citizenship, period of service, directorships in other companies and positions held for the last five (5) years are as follows:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>	<b>Date First Elected</b>	<b>Date Last Elected</b>	<b>No. of Years served as Director</b>
Gerard H. Brimo	69	Philippine National	Executive Director, Chairman of the Board of Directors	August 1, 2009	July 17, 2020	11 years and 5 months
Philip T. Ang	79	Philippine National	Executive Director and Vice Chairman	July 11, 2008	July 17, 2020	12 years and 5 months
Martin Antonio G. Zamora	48	Philippine National	Executive Director, President and Chief Executive Officer (CEO)	June 16, 2010	July 17, 2020	8 years and 5 months
Luis J. L. Virata	67	Philippine National	Non-Executive Director	July 11, 2008	July 17, 2020	12 years and 5 months
Masahiro Kamiya	61	Japanese National	Non-Executive Director	August 7, 2018	July 17, 2020	1 year and 4 months
Hiroshi Yoshida	56	Japanese National	Non-Executive Director	July 4, 2020	July 17, 2020	5 months
Maria Patricia Z. Riingen	55	Philippine National	Non-Executive Director	May 20, 2019	July 17, 2020	1 year and 7 months

Frederick Y. Dy	65	Philippine National	Independent Director	September 24, 2010	July 17, 2020	10 years and 3 months
Angelo Raymundo Q. Valencia	53	Philippine National	Independent Director	May 8, 2020	July 17, 2020	7 months

The names of the incumbent directors of the Company as of 31 March 2021, their respective ages, citizenship, period of service, directorships in other companies and positions held for the last five (5) years are as follows:

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

Listed companies of which Mr. Brimo is presently a director

**Philippines**

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

**2) PHILIP T. ANG** is the Vice Chairman of the Company. He is the Vice Chairman of Rio Tuba Nickel Mining Corporation (RTN) and Taganito Mining Corporation (TMC) and a Director Cagdianao Mining Corporation (CMC), Hinatuan Mining Corporation (HMC), Dinapigue Mining Corporation (DMC), Cordillera Exploration Co. Inc. (CExCI), Newminco Pacific Mining Corporation (Newminco), CDTN Services Company Inc. (CDTN), and Emerging Power Inc. (EPI). He is an Independent Director of SBC. He was previously involved in the textile business as Chairman and President of Solid Mills, Inc. and Unisol Industries and Manufacturing Corp., and as a Director of Investors Assurance Corp. and International Garments Corp. He received his Bachelor of Science in Business Administration degree from Oregon State University and his Master of Business Administration degree from the University of Denver, USA.

Listed companies of which Mr. Ang is presently a director

**Philippines**

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



**3) MARTIN ANTONIO G. ZAMORA** is the President and Chief Executive Officer of the Company and President of all the subsidiaries of the Company. Before joining NAC in 2007, Mr. Zamora was the Philippine Country Manager and a Director of UPC Renewables, a global developer, owner and operator of wind farms and solar facilities. Prior to that, he worked for ten (10) years for finance and investment banking firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SGV & Co. He received his Bachelor of Science in Management from Ateneo de Manila University (Philippines), his MBA from London Business School (UK), and his Masters in Organizational Psychology from INSEAD.

Listed companies of which Mr. Zamora is presently a director

**Philippines:**

1. Nickel Asia Corporation

**4) MARIA PATRICIA Z. RIINGEN** was first elected as a Director of the Company on May 20, 2019. She is the President of Manta Equities, Inc and Manta Foundation, Inc and a Director of Mantra Resources, Inc. Prior thereto, she held various positions with the Western Union Company, and was the Senior Vice President and Regional Head for Asia Pacific. Her other previous roles were as Executive Director and a member of the Board of Directors at the Asian Development Bank, Vice President at Citibank N.A., and Brand Manager of Procter & Gamble. She is a member of the Young President's Organization (YPO). She was among Asia's Top 20 People in Cash Management selected by Finance Asia in 2011 for being one of the region's most influential power players and up-and-coming executives in the cash management industry. In 2013, Ms. Riingen was recognized as one of the 100 Most Influential Filipinas in the World for her accomplishments as a Filipina senior executive working in a global company. In the same year, she received the Pinnacle Group's CSR Award for spearheading a range of initiatives for better access to financial services in the Philippines. Ms. Riingen obtained her Bachelor of Science degree in Business Administration, major in Marketing, magna cum laude, from the University of the Philippines.

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

**Philippines:**

1. Nickel Asia Corporation

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

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

**Philippines:**

1. Nickel Asia Corporation

## 2. Benguet Corporation

6) **FREDERICK Y. DY** is an Independent Director of the Company, Chairman of the Audit Committee and a Member of the Related Party Transactions, Board Risk Oversight and Corporate Governance Committees of the Board. Mr. Dy is also the Chairman Emeritus of SBC, the Chairman of City Industrial Corporation, the Chairman of St. Luke's Medical Center, a Trustee of St. Luke's College of Medicine, and a Director of Ponderosa Leather Goods Company, Inc. He received his Bachelor of Science degree in Industrial Engineering from Cornell University, USA.

*Listed companies of which Mr. Dy is presently a director*

**Philippines:**

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

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

*Listed Companies of which Mr. Valencia is a Director:*

**Philippines**

1. Nickel Asia Corporation (Independent)

8) **MASAHIRO KAMIYA** is the Chairman of the Related Party Transactions Committee and is a member of the Audit and Nominations Committees of the Board of Directors. Mr. Kamiya is the President of SMMPH, CBNC and THNC. He was an Executive Officer and the Senior Deputy General Manager of Non-Ferrous Metals Division of SMM from June 2017 until 16 May 2019. Mr. Kamiya has held various positions within the SMM Group since he joined the same in April 1982. He was the President and Representative Director of Hyuga Smelting Co. Ltd., a subsidiary of SMM, from April 2016 until May 2019, and was also the General Manager of the Administration Department of the Taganito Project Division from September 2010 until March 2016. Prior thereto, he was the Executive Vice President of CBNC from February 2007 to August 2010, and was the Manager of the Ferro Nickel Section, Nickel Sales & Raw Materials Department of SMM from January 2002 to January 2007. He was also

the General Manager of Sumitomo Metal Mining Oceania Pty. Ltd. from April 1998 to December 2001. Mr. Kamiya obtained his Bachelor of Arts in Political Science and Economics from Waseda University in Tokyo, Japan.

Listed companies of which Mr. Kamiya is presently a director

**Philippines:**

1. Nickel Asia Corporation

9) **HIROSHI YOSHIDA** is an Executive Officer of SMM, currently holding the position of Senior Deputy General Manager of Non-Ferrous Metals Division. He began his career with SMM in 1987 and occupied the following positions prior to assuming his current post from June 2018: Manager of Corporate Planning Department (July 2004 to November 2007), Manager of Overseas Project Department of Non-Ferrous Metals Division (December 2007 to September 2009), Deputy General Manager of Administration Department of Taganito Project Division (October 2009 to December 2010), Treasurer of Taganito HPAL Nickel Corporation (January 2011 to February 2015), Deputy General Manager of Corporate Planning Department (March 2015 to May 2016) and General Manager of Corporate Planning Department (June 2016 to May 2018). He received his Bachelor in Economics from Gakushuin University in Tokyo, Japan.

Listed companies of which Mr. Hiqo is presently a director

**Philippines**

1. Nickel Asia Corporation

There is no director who has resigned or declined to stand for re-election to the board of directors since the 17 July 2020 Annual General Meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices. No director has furnished the Company with a letter describing such disagreement and requesting that the matter be disclosed.

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

The Board of Directors set 16 April 2021 as the deadline for the submission of nominations for election to the Board of Directors.

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

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



### **Nominees for Election at Annual Stockholders' Meeting on 4 June 2021.**

The Nominations Committee met on 20 April 2021 and screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors. The Final List of Candidates for election to the Board of Directors are as follows:

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

The nominees are all incumbent Directors except for Mr. Jaime J. Bautista who was nominated as Independent Director, to replace Mr. Frederick Y. Dy who has served the maximum term allowed by the Securities and Exchange Commission as Independent Director. The experience and background of Mr. Bautista are as follows:

#### **JAIME J. BAUTISTA, 64 years old, Filipino Citizen**

Mr. Jaime J. Bautista is a Certified Public Accountant (CPA). He graduated from Colegio de San Juan de Letran, Magna Cum Laude in 1977 with a degree of Bachelor of Science in Commerce. He started his career as Staff Auditor of SyCip, Gorres Velayo and Company, before he joined the Lucio Tan Group (LTG) of Companies in 1980 occupying various management positions in the group. In 1993, the LTG became the majority shareholder of Philippine Airlines (PAL) and Mr. Bautista was appointed as Vice President- Comptroller in 1993 and was promoted to Senior Vice President and Chief Finance Officer of PAL in 1994, Executive Vice President in 1998 and President in 2004. He occupied the position of President until he retired in 2012. Mr. Bautista remained as consultant and adviser of various LTG companies. In 2014, he was appointed again as President of PAL until his second retirement on June 30, 2019.

Mr. Bautista used to be a member of the board of various companies in the Lucio Tan Group, namely Macroasia Corp., Macroasia Airport Services Corp., Macroasia Catering Services Corp., Macroasia Properties Development Corporation, Eton Properties Development Corp., PNB Forex, Inc., Air Philippines, Inc., Asian Alcohol Corp. and other various holding companies of the Group. At present, he is the Vice chairman of the Board of Trustees of the Philippine Eagle Foundation, Inc., member of the Board of Trustees of the University of the East, member of the Board of Trustees of UE Ramon Magsaysay Medical Memorial Center, member of the Board of Trustees of International School of Sustainable Tourism, member of the Board of Directors of Air Speed International Inc., Alphaland Corp., Gothong Southern Shipping, Inc., Cosco Capital, Inc. (Puregold and S & R), and Philippine Bank of Communications.

He is an active member of the Financial Executives of the Philippines and the Rotary Club of Makati West. He is also the President of SKAL Makati International, a Philippine, regional and international tourism organization. Mr. Bautista is a recipient of several management and tourism awards by various Philippine and International Organizations. He was conferred Doctor of Philosophy in Humanities (honoris causa) by the Central Luzon State University on August 8, 2018.

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

**Executive Officers**

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

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position as of 2020</b>	<b>Position as of January 1, 2021</b>
Jose B. Anievas	76	Philippine National	Senior Vice President - Chief Operating Officer/Chief Risk Officer	Senior Vice President, Chief Operating Officer, Chief Risk Officer and Head of Revenue Generation Group of Mining Business (until March 31, 2021)
Georgina Carolina Y. Martinez	54	Philippine National	Senior Vice President – Compliance and Corporate Services, Assistant Corporate Secretary, Compliance Officer	Senior Vice President, Chief Compliance Officer, Chief Governance Officer, Assistant Corporate Secretary, and Head of Compliance and Corporate Support Services
Emmanuel L. Samson	61	Philippine National	Senior Vice President - Chief Financial Officer, Corporate Governance Officer (until December 31, 2020)	N/A
Maria Angela G. Villamor	55	Philippine National	Vice President - Internal Audit, Chief Audit Executive (until April 30, 2020) Vice President – Group Controllership (May 1 to December 31, 2020)	Senior Vice President, Chief Financial Officer and Head of Finance and Revenue Management Group
Aloysius C. Diaz	72	Philippine National	Vice President – Operations	Vice President and Head of Production Operations Sector for TMC, CMC and DMC (until March 31, 2021) Senior Vice President for

				Production (April 1, 2021 to present)
Jose Bayani D. Baylon	58	Philippine National	Vice President - Corporate Communications	Officer-in-Charge of Public and Social Affairs Group, and Head of Corporate Communications Sector
Rommel L. Cruz	57	Philippine National	Vice President - Operations	Vice President and Head of Production Operations Sector for RTN and HMC (until March 31, 2021) Vice President for Operations in charge of DMC, HMC-Manicani Nickel Project and CDTN (April 1, 2021 to present)
Rolando R. Cruz	60	Philippine National	Vice President for Project Development and Research	OIC Strategic Development and Growth Group Head of Research and Technology Sector, Innovations Sector, and Corporate Special Projects Sector
Christopher C. Fernandez	57	Philippine National	N/A	Vice President and Head of Information and Communications Technology Sector (effective March 11, 2021)
Koichi Ishihara	47	Japanese National	Vice President - Marketing and Purchasing	Vice President and Head of Sales Sector Head of Purchasing and Supply Chain Management Sector
Michio Iwai	69	Japanese National	Vice President	Head of Geologic Resources Management Sector
Gerardo Ignacio B. Ongkingco	62	Philippine National	Vice President - Human Resources Data Protection Officer	Vice President and Head of Human Resources Sector Data Protection Officer
Romeo T. Tanalgo	59	Philippine National	Vice President – Security and Government Relations	Vice President and Officer-in-Charge of Risk and Assurance

				Group Head of Security Sector Head of Administrative Services Sector Head of Risk Management Sector Chief Risk Officer (April 1, 2021 to present)
Barbara Anne C. Migallos	65	Philippine National	Corporate Secretary	Corporate Secretary
Rogel C. Cabauatan	62	Philippine National	Assistant Vice President – Community Relations and Environment	Assistant Vice President, Head of Community Relations Sector, and Head of Environment Sector
Jeffrey B. Escoto	45	Philippine National	Assistant Vice President – Technical Services	Assistant Vice President and Head of Technical Services Sector
Patrick S. Garcia	47	Philippine National	Assistant Vice President – Internal Audit and Chief Audit Executive (effective May 1, 2020)	Assistant Vice President – Internal Audit and Chief Audit Executive
Rodrigo V. Gazmin, Jr.	60	Philippine National	-	Assistant Vice President – Purchasing and Supply Chain Management
Marnelle A. Jalandon	50	Philippine National	Assistant Vice President – Management Information Systems	Assistant Vice President and Head of MIS Department and IT Department
Ryan Rene C. Jornada	42	Philippine National	Assistant Vice President – Government Relations	Assistant Vice President and Head of Public Affairs Sector
Iryan Jean U. Padillo	39	Philippine National	Assistant Vice President – Finance	Assistant Vice President and Head of Accounting and Financial Reporting Sector

**JOSE B. ANIEVAS** was the Senior Vice President for Operations, Chief Operating Officer and Chief Risk Officer of the Company, and was designated as Head of Revenue Generation Group for Mining Business effective January 1, 2021 until his retirement on March 31, 2021. He started working with TMC in 2009 as its Resident Mine Manager and later as its Vice President for Operations. He has worked with the mining industry for more than fifty (50) years, thirty-seven (37) years with Philex Mining Corporation and Philex Gold Philippines as its Vice President for Operations until his retirement in



December 2002, four (4) years as a freelance mining engineer, two (2) years with Carrascal Nickel Corporation, five (5) years with TMC and currently with the Company. He also served the Government in the Professional Regulation Commission as a member of the Board of Examiners for Mining Engineering in 1997-2000 and was President of the Philippine Society of Mining Engineers in the CARAGA region in 2010-2012. He is a Fellow of the Society of Mining Engineers and a Competent Person in the Copper and Gold operations. Mr. Anievas earned his Bachelor of Science in Mining Engineering from Mapua Institute of Technology. He completed the Management Development Program of the Asian Institute of Management.

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

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

**EMMANUEL L. SAMSON** was the Senior Vice President and Chief Financial Officer of the Company and was responsible for the finance and treasury functions of the NAC Group until his retirement on 31 December 2020. He was Treasurer of the Company's subsidiaries and a Director and Treasurer of EPI and its subsidiaries until 31 December 2020. Prior to joining NAC in 2006, Mr. Samson was Senior Country Officer for Credit Agricole Indosuez in the Philippines. Mr. Samson has more than a decade of experience in the Philippine equities markets having held positions with W.I. Carr Indosuez Securities (Phils.) Inc., Amon Securities Corporation and Rizal Commercial Banking Corporation. Mr. Samson obtained his Bachelor of Arts Degree in Economics from De La Salle University – Manila.

**MARIA ANGELA G. VILLAMOR**, Senior Vice President, is the Chief Financial Officer and Head of the Finance and Revenue Management Group effective January 1, 2021. She oversees the preparation and management of the Group's operating budgets and is responsible for financial reporting activities. She was the Vice President for Group Controllershship from 1 May to 31 December 2020 and the Vice President for Internal Audit and the Chief Audit Executive from 2011 to 30 April 2020. Prior to joining NAC in 2011, she was a Senior Director in the Assurance Division of SGV & Co. She also worked as Senior Manager in KPMG UAE. Ms. Villamor obtained

her Bachelor of Science in Commerce degree from the University of San Carlos. She completed the Management Development Program from the Asian Institute of Management.

**JOSE BAYANI D. BAYLON**, Vice President, is the Officer-in-Charge of the Public and Social Affairs Groups and Head of the Corporate Communications Sector of the Company. He joined the Company in June 2012. He has over two decades of experience in the field of corporate communications and public affairs. Before joining NAC, he was Vice President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for nine (9) years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001-2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001. Mr. Baylon obtained his Bachelor of Arts in Political Science degree from the University of the Philippines.

**ROLANDO R. CRUZ**, Vice President, is the Officer-in-Charge of the Strategic Development and Growth Group, and Head of the Research and Technology, Innovations, and Corporate Special Projects Sectors of the Company effective January 1, 2021. He was Vice President for Project Development and Research of the Company until 31 December 2020. Mr. Cruz is and is responsible for the assessment and development of projects, concepts and plans for the growth and economic sustainability of the business. Engr. Cruz is a licensed mining engineer in the Philippines with over twenty five (25) years of professional experience in both mining operations and project development in gold, copper, chromite, concrete aggregates, nickel, and oil sands deposits using the open pit and underground bulk mining methods. He has held various positions with firms such as Albion Sands Energy, Inc. (Canada), Berong Nickel Corporation, Concrete Aggregates Corporation, Philex Mining Corporation, and Benguet Corporation. Engr. Cruz obtained his Bachelor of Science in Mining Engineering and Masters of Science in Geotechnical Engineering from the Mapua Institute of Technology. He also earned a Post-Graduate Certificate in Strategic Business Economics from the University of Asia and the Pacific. Mr. Cruz placed second in the 1982 Licensure Examinations for Mining Engineers.

**ROMMEL L. CRUZ** is the Vice President for Operations, in charge of DMC, HMC-Manicani Nickel Project and CDTN effective April 1, 2021. He will oversee the development activities of these companies in preparation for their operations. He was Vice President and Head of Production Operations for the Rio Tuba and Hinatuan mines of the Company from October 8, 2018 until March 31, 2021. Mr. Cruz was a key member of the core team of mining professionals of PT Adaro Indonesia (Adaro) who grew the company to become Indonesia's largest single pit coal mine from 1991 to 2013. Thereafter, he was assigned to other companies within the Adaro Group, first, as Director of Operations of PT Rahman Abdjaya from 2014 to 2016, then as Senior Technical Advisor to the Director of Operations of PT Septaindra Sejati from 2016 to 2017. Prior to his stint in the Adaro Group, he served as Senior Geodetic Engineer of Semirara Coal Corporation from 1989 to 1991. Engr. Cruz obtained his Bachelor of Science degree in Geodetic Engineering from the University of the Philippines.

**CHRISTOPHER C. FERNANDEZ**, Vice President, is the Head of the Information and Communications Technology Sector effective March 11, 2021. He is a seasoned technology professional with more than 20 years of accumulated executive, managerial and hands-on experience in delivering strategic thought leadership, technology-enabled solutions and transformation to businesses, including Information Technology (IT) governance and security, infrastructure, systems, and service management. Before joining the Company, Mr. Fernandez served as IT Head for Makati Medical Center, Armed Forces Police Mutual Benefit Association Inc., G4S Holdings, Inc. Headstrong

Philippines, Inc., United Coconut Planters Bank, and Puyat Steel/Sports and Recreation. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from the University of the East.

**KOICHI ISHIHARA**, Vice President, is the Head of the Sales Sector and the Supply Chain and Management Sector effective 1 January 2021. He was Vice President for Marketing and Purchasing until 31 December 2020 for Marketing and Purchasing. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of PAMCO, handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant. Mr. Ishihara received his Bachelor's Degree in English Language from Kanda University of International Studies, Japan.

**MICHIO IWAI**, Vice President, is the Head of the Geologic Resources Management Sector of the Company. He was a Vice President of TMC until April 2018. He began his career in PAMCO as a Geologist in its Engineering Department. Thereafter, he served as the Deputy Treasurer of TMC, before becoming the Deputy General Manager -Mineral Resources of PAMCO. He obtained his Bachelor of Science Degree in Earth Science from Waseda University in Japan and his Master's Degree from the Science and Engineering Division of the same university.

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

**ROMEO T. TANALGO**, Vice President, is the Officer-in-Charge of the Risk and Assurance Group, and the Head of the Security, Administrative Services, and the Risk Management Sectors of the Company. He is also the Chief Risk Officer effective April 1, 2021. He was the Consultant of the Company for security matters from 01 May 2019 until his appointment as Vice President on August 6, 2019. He was the Chief of the Armed Forces of the Philippines (AFP) North Luzon Command from 10 March 2016 until his retirement in 04 September 2017. Prior thereto, he was appointed as AFP Vice Chief of Staff on 20 October 2015. He also served as Commandant, Philippine Marine Corps from April 2013 to December 2015. Gen. Tanalgo is a member of the Philippine Military Academy "Matikas" Class of 1983 and obtained his Masters degree in Development Management from the Asian Institute of Management and his Masters degree in Maritime Studies from the University of Wollonong in Australia.

**ROGEL C. CABAUTAN**, Assistant Vice President, is the Head of the Community Relations and Environment Sectors of the Company. He is responsible for overseeing, guiding and coordinating the environmental and community relations programs of the Company and its operating companies. Mr. Cabauatan has 34 years of experience in environment management, community development and organization, and conflict management gained while working in the government and mining industry. He obtained his Bachelor of Science in Forestry degree from the University of the Philippines at Los Baños.

**JEFFREY B. ESCOTO**, Assistant Vice President, is the Head of the Technical Services Sector of the Company. He was the Technical Services Group Manager of HMC from December 2013 until August 5, 2019. Prior thereto, he was the Technical Services Head of CMC from 2009 to 2013. He also served as Site Manager of Maxima



Machineries, Inc. on various project sites, managing an on site support team in Masbate Gold Project from 2008 to 2009, Oceana Gold's Didipio Gold Copper Mining Project in 2008 and in Rapu Rapu Polymetallic Mine Project of Lafayette Mining in Albay from 2005 to 2008. Mr. Escoto obtained his Bachelor's Degree in Mechanical Engineering from the University of Nueva Caceres in Naga City.

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

**RODRIGO V. GAZMIN, JR.**, Assistant Vice President, is the Head of the Purchasing and Supply Chain Management Sector of the Company effective January 1, 2021. Prior to his appointment as such, Mr. Gazmin was Senior Manager for Purchasing. He was a Purchasing Supervisor of RTN from 1989 until 2008, the year he joined the Company. Mr. Gazmin obtained his Bachelor of Science degree, major in Mechanical Engineering, from Lyceum of the Philippines-Manila and has attended the Basic Management Course in Asian Institute of Management in 2015.

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

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

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



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

### **Significant Employees**

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

### **Family Relationships**

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

### **Involvement in Certain Legal Proceedings**

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

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

### **Certain Relationships and Related Transactions**

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

#### **Nickel Ore Sale Agreements with Pacific Metals Co. Ltd. (PAMCO)**

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

#### **Nickel Ore Sale Agreement with PAMCO and Sojitz Corporation (Sojitz)**

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

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

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

#### **Nickel Ore Supply Agreement with Coral Bay Nickel Corporation (CBNC)**

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

#### **Nickel Ore Supply Agreement with Taganito HPAL Nickel Corporation (THNC)**

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

#### **Service Agreements with CBNC**

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

#### **Materials Handling Agreement with THNC**

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

#### **Materials Supply Agreement with THNC**

On October 1, 2019, TMC and THNC entered into a materials supply agreement wherein THNC agrees to purchase and take delivery from TMC an aggregate of 1,000,000 compacted cubic

meters of suitable and unsuitable construction materials for THNC's expansion of its tailing storage facility. The contract period is from September 1, 2019 to December 31, 2020.

### **Funding Commitment with THNC**

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

### **THNC Stockholder's Agreement**

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

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

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

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

### **Throughput Agreements**

#### ***THNC***

On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the DENR that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

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

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

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



### **CBNC**

Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in U.S. dollar, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

### **Memorandum of Understanding**

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

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

In October 2016, pursuant to the sale by the Company of its 12.5% equity interest in THNC to SMM, the shareholding ratio of the Company and SMM became 10% and 75%, respectively.

The THNC Stockholders' Agreement also sets forth the respective rights and obligations of the Company, SMM and Mitsui, including their responsibilities in respect of financing the US\$1,420.0 million Project investment of THNC, which cost increased to US\$1,590.0 million over the three (3)-year construction period which commenced in the last quarter of 2010.

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

The THNC Agreement shall terminate upon the dissolution of THNC.

### **Loan Guarantee/Substitution Agreement**

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

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



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

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

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

#### **Lease Agreement with THNC**

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

#### **Loan Agreements**

##### ***THNC***

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

##### ***TBEA International Engineering Co., Ltd. (TBEA)***

In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted Jobin-SQM Inc. (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. The interest on the loan of 5% p.a. and the principal amount are payable on June 17, 2025, the maturity date of the loan.

#### **Lease Agreement with Manta Equities, Inc. (Manta)**

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

The lease agreement expired in May 2018 and was renewed for another period of five (5) years.

#### **Directors Disclosures on Self-Dealing and Related Party Transactions**

No transaction, without proper disclosure, was undertaken by the Corporation in which any director, executive officer, or any nominee for election as director was involved or had a direct or indirect material interest.

Directors, officers and employees of the Corporation are required to promptly disclose any business or family-related transactions with the Corporation to ensure that potential conflicts of interest are surfaced and brought to the attention of the management.

### **Appraisals and Performance Report for the Board**

The Board has established committees to assist in exercising its authority in monitoring the performance of the Corporation in accordance with its Revised Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. The Corporate Governance Committee of the Corporation oversees the performance evaluation of the Board and its committees and management. More detailed discussion on appraisals and performance report for the Board, as well as corporate governance compliance of the Company, are found in the Management Report.

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

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

Type	Board Meeting	Audit Committee Meeting	Board Risk Oversight	Related Party	Corporate Governance	Stock Option
Executive Director	P10,000	-	P10,000	-	P10,000	Yes
Non-executive Director	10,000	10,000	-	10,000	-	Yes, Except for the Non-Filipino Directors
Independent Director	135,000	45,000/ 22,500	45,000/ 22,500	22,500	22,500	Yes

Total compensation of each of the Directors on a per diem basis for 2020, is as follows:

Name	Total Compensation (per diem) for 2020 (PhP)
Philip T. Ang	88,888.88
Gerard H. Brimo	88,888.88
Luis Juan L. Virata	55,555.55
Martin Antonio G. Zamora	99,999.99
Hiroshi Yoshida	
Masahiro Kamiya	99,999.99
Frederick Y. Dy	1,275,000.00
Maria Patricia Z. Riingen	55,555.55

Angelo Raymundo Q. Valencia	600,000.00
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Currently, there are no arrangements for additional compensation of directors.

Officers of the Company receive such remuneration as the Board may determine upon recommendation of the Corporate Governance Committee.

The following table shows the compensation of the directors and officers for the past two completed fiscal years and estimated to be paid for the ensuing fiscal year:

<b>SUMMARY OF COMPENSATION TABLE (In Thousands)</b>
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<b>DIRECTORS</b>
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<u>Year</u>	<u>Directors' Fee</u>
2021 (estimated)	₱2,733
2020	2,375
2019	2,304

The following table identifies the Chief Executive Officer ("CEO") and four most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2019 and 2020 and estimated 2021:

**NAMED EXECUTIVE OFFICERS**

<u>NAME</u>	<u>POSITION</u>
Martin Antonio G. Zamora	<i>President &amp; CEO</i>
Emmanuel L. Samson	<i>Senior Vice President and Chief Financial Officer</i>
Jose B. Anievas	<i>Senior Vice President, Chief Operating Officer, Chief Risk Officer, Head of Revenue Generation Group of Mining Business</i>
Rolando R. Cruz	<i>Vice President, Officer-in-Charge of Strategic Growth and Development Group, Head of Research and Technology Sector, Innovations Sector, and Corporate Special Projects Sector</i>
Georgina Carolina Y. Martinez	<i>Senior Vice President, Chief Compliance Officer, Chief Governance Officer, Assistant Corporate Secretary, and Head of Compliance and Corporate Services Group</i>

	<u>Year</u>	<u>Total Officers' Salary</u>	<u>Bonus</u>	<u>Total</u>
	2021 <sup>1</sup> (estimated)	₱47,394	₱27,452	₱74,846
	2020 <sup>2</sup>	81,672	36,021	117,693
	2019 <sup>3</sup>	50,672	32,762	83,434

<sup>1</sup> The named executive officers for the year 2021 are: Gerard H. Brimo, Martin Antonio G. Zamora, Jose B. Anievas, Georgina Carolina Y. Martinez, and Rolando R. Cruz.

<sup>2</sup> The named executive officers for the year 2020 are: Gerard H. Brimo, Martin Antonio G. Zamora, Emmanuel L. Samson, Jose B. Anievas, and Georgina Carolina Y. Martinez.

<sup>3</sup> The named executive officers for the year 2019 are: Gerard H. Brimo, Martin Antonio G. Zamora, Emmanuel L. Samson, Jose B. Anievas, and Rolando R. Cruz.

## **ALL OTHER DIRECTORS & OFFICERS AS A GROUP**

<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
2021 (estimated)	₱51,505	₱17,569	₱69,074
2020	52,444	29,581	82,025
2019	43,270	22,524	65,794

### **Compensation of Directors**

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

### **Employment Contracts**

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

### **Warrants and Options Outstanding**

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

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

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

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

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



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

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

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

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

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

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

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

**The appointment, approval or ratification of the Company's independent public accountant will be submitted to the shareholders for approval at the Annual Stockholders' Meeting on 4 June 2021.**

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

The Company's certifying partner, Jaime F. del Rosario, signed the Company's Audited Financial Statements for 2019, a copy of which is attached to this Information Statement. The Certifying partner of the Company's independent external auditor is rotated at least once every five (5) years, with a two (2) year cooling off period as applicable, in accordance with SEC Rule 68, Part 3(b)(iv)(ix).

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

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

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

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

For 2020, 2019, and 2018, independent accountants were engaged to express an opinion on the financial statements of the Company and its subsidiaries.

A regular audit was carried out in accordance with Philippine Financial Reporting Standards. The audit fees for these services were Php15.817 million for 2020, Php16.086 million for 2019, and Php15.169 million for 2018.

The non-audit fees were Php2.685 million for 2020, Php0.825 million for 2019, and Php 4.515 million for 2018. Fees for audit and non-audit work are subject to approval of the Audit Committee before the start of the engagement.

#### **Tax Fees**

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

#### **All Other Fees**

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

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

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

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

All of the above were done and complied with in respect of the Company's consolidated audited financial statements for the year ended 31 December 2020.

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

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

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

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

#### *The 2018 Stock Option Plan*

A new Stock Option Plan (the "2018 SOP") for officers of the Company and its operating subsidiaries, resident mine managers, and Directors, including Independent Directors of the Company, was approved by the Board of Directors on 5 April 2018, and approved and by shareholders of the Company at the Annual Meeting of Shareholders on 28 May 2018.

The application for exemption of the 2018 SOP, covering One Hundred Fifty Five Million (155,000,000) common shares of stock of the Company, was filed with the SEC on 16 August 2018 and was approved on March 2020 and will be filed with the PSE for listing.

#### *Adjustments to the Shares Reserved for the 2018 SOP*

Due to the effects of the eighty percent (80%) stock dividend declared by the Board on 28 August 2018, the Board of Directors of the Company, at the same meeting, approved adjustments to the grants under the Corporation's stock option plans as follows:

(a) Increase the number of the 2018 SOP shares by an additional One Hundred Twenty-Three Million Nine Hundred Seventy-Six Thousand Seven Hundred Ninety-Two (123,976,792) common shares;

(b) The Exercise Price for the 2018 SOP will be adjusted from Php4.38 per share to Php2.43 per share.

#### *Further Additional Shares Reserved for the 2018 SOP*

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

The foregoing adjustments to the shares reserved for the 2018 SOP are still subject to SEC approval and additional listing in the PSE.

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

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

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

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

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

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2020 are attached hereto.

The Management's Discussion and Analysis of Financial Condition and Results of Operations are stated on pages 1-12 of the attached Management Report. The notes to the Consolidated Financial Statements are incorporated hereto by reference.

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

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

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

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

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

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

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

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

### **D. OTHER MATTERS**

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

**The Minutes of the Annual General Stockholder Meeting held on 17 July 2020 will be submitted for shareholder approval at the Meeting on 4 June 2021.**

##### ***1. Minutes of the Previous Stockholders' Meeting***

The Minutes of the Annual Stockholders' Meeting held on 17 July 2020 (the "2020 ASM Minutes") is attached to this Definitive Information Statement, and is available for inspection by stockholders at the principal offices of the Company. Copies of said Minutes are also posted on the Company's website. Copies of said minutes will also be made available upon request at the venue of the next annual stockholders' meeting.



Matters taken up during the 2020 Stockholders' Meeting were the: (i) Reading and approval of the Minutes of the 20 May 2019 annual stockholders' meeting and action thereon; (ii) Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2020 and action thereon; (iii) Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2020; (iv) Appointment of independent auditors; and (v) Election of directors, including independent directors.

The 2020 ASM Minutes attached herewith clearly describes the (1) voting and voting tabulation procedure; (2) opportunity given to stockholders to ask questions, with a record of the questions asked and answers given; (3) matters discussed and resolutions reached; and (4) attendance.

A record of the voting results for each agenda item is set forth below:

<b>AGENDA ITEMS</b>	<b>No. of Shares in favor</b>	<b>No. of Shares against</b>	<b>No. of Shares who abstained</b>
Approval of minutes of annual stockholders' meetings held on 20 May 2019	10,689,778,950	0	0
Approval of Annual Report and Audited Financial Statements for the year ended 31 December 2019	10,673,884,730	0	15,894,220
Approval of Reservation of Further Additional Shares for 2018 SOP	10,370,467,289	224,527,709	94,783,952
Ratification and approval of the acts of the Board Directors and Executive Officers for the Year 2019	10,579,100,778	0	110,678,172
Appointment of SyCip, Gorres, Velayo & Co. as independent auditors	10,594,994,998	0	94,783,952

<b>Director</b>	<b>Votes in favor</b>	<b>%</b>
1) Gerard H. Brimo	10,576,189,248	77.58
2) Martin Antonio G. Zamora	10,582,992,603	77.63
3) Philip T. Ang	10,348,459,850	75.91
4) Luis J. L. Virata	10,351,228,185	75.93
5) Maria Patricia Z. Riingen	10,351,228,185	75.93
6) Masahiro Kamiya	10,349,175,745	75.91
7) Hiroshi Yoshida	10,351,228,185	75.93
8) Frederick Y. Dy – Independent Director	10,584,436,043	77.64
9) Angelo Raymundo Q. Valencia – Independent Director	10,584,995,038	77.72

**The Audited Financial Statements for the year ended 31 December 2020, and the Annual Report, will be submitted to shareholders of the Company for approval, ratification and confirmation, at the meeting on 4 June 2021.**

## **2. Management Reports**

The Company's Management Report, which includes the Audited Financial Statements for 2020, will be submitted for approval by the stockholders. A copy of the Management Report is attached to this Information Statement. Upon written request, shareholders

shall be provided with a copy of the Company's Annual Report on SEC Form 17-A free of charge (please see page 38).

### **Item 17. Amendment of Charter**

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

### **Item 18. Other Proposed Action**

**Action is to be taken on the ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2020-2021. The resolution to be adopted will be the ratification and approval of the acts of the Board of Directors and executive officers for the year 2020.**

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

Regular Meeting of the Board of Directors	13 March 2020
Special Meeting of the Board of Directors	8 April 2020
Regular Meeting of the Board of Directors	8 May 2020
Organizational Meeting of the Board of Directors	17 July 2020
Regular Meeting of the Board of Directors	7 August 2020
Regular Meeting of the Board of Directors	6 November 2020

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

#### **13 March 2020 Regular Board Meeting**

At the meeting held on 13 March 2020, management presented the Nickel Market Update to the Board. A financial review of the results for financial year 2019 was also presented, and the Board thereafter approved the audited financial statements for year ended 31 December 2019.

A cash dividend declaration with a total cash payout of P1.1 billion and amounting to P0.08 per share with a record date of 27 March 2020 and payment date of 8 April 2020 was approved.

Management then gave an update on the Enterprise Resource Planning (ERP) project of the Company, as well as an update on the operations of EPI. Management also presented operational matters and safety and environmental performance of the Company. The Board likewise approved the proposed amendments to the 2018 Stock Option Plan, as presented, and the presentation thereof for approval by the shareholders at the Annual Stockholders' Meeting. The schedule of said annual stockholders' meeting was also approved.

Lastly, the Board unanimously approved the following appointments:

1. Ms. Maria Angela G. Villamor as Vice President – Group Financial Controller
2. Mr. Patrick S. Garcia as Assistant Vice President – Internal Audit and as Chief Audit Executive.

### **8 April 2020 Special Board Meeting**

On 8 April 2020, the Board of Directors approved the postponement of the Annual Stockholders' Meeting of the Company from May 18, 2020 to July 17, 2020 provided that the Enhanced Community Quarantine has been lifted and the Company can hold the meeting without compromising the safety of the attendees.

### **8 May 2020 Regular Board Meeting**

On 8 May 2020, management discussed Covid-19 and the effects of various national and provincial directives to the businesses of the Company. An update on the Nickel Market was reported, and the financial review of the financial results of the Company and its subsidiaries for the first quarter of 2020 was discussed. The Board approved the financial statements for the first quarter of 2020.

At the same meeting, the Board elected Atty. Angelo Q. Valencia as Independent Directors of the Company, to fill in the vacancy resulting from the passing of Atty. Fulgencio Factoran, Jr.

The Board, at the same meeting, likewise approved the conduct of the 2020 annual stockholders' meeting by remote communication, signatories for various banks and accounts, and the renewal of the Company's credit line with Philippine Airlines.

### **17 July 2020 Organizational Board Meeting**

During the Organizational Meeting held on 17 July 2020, the Board appointed the Officers of the Company as well as members of the different Board Committees.

### **7 August 2020 Regular Board Meeting**

At the meeting held on 7 August 2020, An update on the Nickel Market was reported, and the financial review of the financial results of the Company and its subsidiaries for the first half of 2020 was discussed. The Board approved the financial statements for the first half of 2020.

The financial forecast for 2020 was also discussed. The Board revisited the 2020 budget because of current market conditions brought about by Covid-19. After discussion, the Board approved the new financial forecast for 2020. Operational matters and safety and environmental performance was also presented to the Board.

To manage the cash of the Company, the Board discussed and thereafter approved a Cash Management Plan as presented by management. At the same meeting, a special cash dividend in the amount of Three Billion Pesos payable pro rate to all stockholders of record as of 24 August 2020, with payment date on 4 September 2020, was also approved.

### **6 November 2020 Regular Board Meeting**

At the meeting on 6 November 2020, after management's report on the nickel market update and the financial results of the Company for the period ended 30 September 2020, the Board approved the Company's financial statements for nine (9) months ending 30 September 2020 and the Company's group budget for 2021.

The 2021 business plans of EPI were presented, and the Board thereafter approved the following:

1. The Debt-Equity swap amounting to Php 500 million for 38% shares of JSI;



2. The renewal of the 2017 NAC-EPI Loan Agreement for Php 450 million under the same terms and conditions (3-year tenor, 5% p.a. interest rate, available to fund working capital and projects); and
3. An additional loan to EPI in the amount of Php 171 million for the operating requirements of the non-revenue generating subsidiaries, such amount to be netted against the P1.86 billion EPI intends to repay to NAC.

Management also reported on the operational matters and safety and environmental performance of the Company, as well as changes in organizational structure of the Company and its subsidiaries, which the Board approved.

Various personnel movements were likewise approved by the Board:

1. promotion of Mr. Rodrigo Gazmin, Jr. from Senior Purchasing Manager to Asst. Vice President of Purchasing and the Supply Chain Management Sector
2. promotion of Ms. Maria Angela G. Villamor from Vice President-Group Financial Controller to Senior Vice President – Head of Finance and Revenue Management Group and Chief Financial Officer of Nickel Asia Corporation.

Lastly, the Board approved the formation of one to two companies for Materials Handling and Services. The Board also approved the implementation steps as presented by management.

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

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

1. To vote, a stockholder must first register online. Certificated stockholders should send a scanned copy of one (1) valid government identification card (ID) to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com). Indirect shareholders should send scanned copies of their broker's certification and one (1) valid ID to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com). Deadline for registration is on 24 May 2021, at 12NN. Once the Company successfully verifies the stockholder's status, the Company will reply to each stockholder with an online ballot for voting purposes.
2. Only items reflected on the Agenda and the Information Statement will be voted upon. No resolution that is not in the Agenda will be voted on.
3. Votes may be casted online by sending the filled up online ballot form to [NIKL-ASM2021@nickelasia.com](mailto:NIKL-ASM2021@nickelasia.com).
4. If a shareholder is unable to attend the meeting, he/she may still be represented at the meeting by submitting proxies either online, or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila. The deadline for submission of proxies is on 24 May 2021.
5. Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 25 March 2021 may vote the number of shares registered in his name for each of the nine (9) directors to be elected; or he may multiply the number of shares registered in his name by nine (9), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the nine (9) directors to be elected.



6. Validation of online ballots and proxies shall be undertaken by a special committee designated by the Board for the validation of proxies. For the 2021 AGM, SGV, the Company's independent external auditor shall work with the special committee, to in reviewing the tabulation proxies.
7. Voting results for each item on the agenda shall be announced during the meeting and shall be made publicly available immediately.

Stockholders as of 25 March 2021 may vote at the Annual General Stockholders' Meeting on 4 June 2021. Stockholders have the right to vote in person or by proxy.

In the election of directors, cumulative voting may be adopted. On this basis, each stockholder as of 25 March 2021 may vote the number of shares registered in his name for each of the nine (9) directors to be elected, or he may multiply the number of shares registered in his name by nine (9) and cast the total of such votes for one (1) director, or he may distribute his votes among some or all of the nine (9) directors to be elected. The nine (9) nominees with the greatest number of votes will be elected directors.

<b>PART II.</b>
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**(PLEASE SEE SEPARATE PROXY FORM)**

**PART III.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 10 May 2021.

By:

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

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

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

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



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

*Held on 17 July 2020, at 2:30 p.m.  
via remote communication  
presided from 28F NAC Tower 32nd Street,  
Bonifacio Global City, Taguig, 1634 Metro Manila*

**Shareholder Attendance:** 78.41% of the Company's outstanding capital stock

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

Gerard H. Brimo, Director, *Chairman*  
Martin Antonio G. Zamora, *Director and President and CEO*

**Directors present via remote communication:**

Philip T. Ang, *Director and Vice Chairman*  
Luis J.L. Virata, *Director*  
Maria Patricia Z. Riingen, *Director*  
Masahiro Kamiya, *Director*  
Toru Higo, *Director*  
Frederick Y. Dy, *Independent Director; Audit Committee Chairman*  
Angelo Raymundo Q. Valencia, *Independent Director, Board Risk Oversight Committee Chairman*

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

Atty. Barbara Anne C. Migallos, *Corporate Secretary*  
Atty. Georgina Carolina Y. Martinez, *Assistant Corporate Secretary, Senior Vice President for Compliance and Corporate Services, and Chief Compliance Officer*

**Others present via remote communication:**

Manuel B. Zamora, Jr., *Chairman Emeritus*  
Jose B. Anievas, *Chief Operating Officer*  
Emmanuel L. Samson, *Chief Financial Officer*

**External Auditor:**

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

**I. CALL TO ORDER**

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

The Chairman welcomed the stockholders to the 2020 Annual Stockholders' Meeting (the "Meeting") of Nickel Asia Corporation (the "Company"), the first ever Meeting held via remote communication. He then proceeded to introduce the Chairman Emeritus, and the Directors of the Company who were present via remote communication: Mr. Manuel B. Zamora Jr., Chairman Emeritus; Mr. Philip T. Ang, Vice Chairman; Mr. Frederick Y. Dy, Independent Director and Chairman of the Audit Committee; Mr. Angelo Raymundo Q. Valencia, Independent Director and Chairman of the Board Risk Oversight Committee; Ms. Maria Patricia Z. Riingen, and Messrs. Luis J. Virata, Masahiro Kamiya and Toru Higo.



The Chairman introduced Mr. Martin Antonio G. Zamora, Director and President of the Company, and Atty. Barbara Anne C. Migallos, Corporate Secretary, both present at the Company's principal office where the meeting was presided from.

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

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

The Chairman then inquired whether the Notices of the Meeting were properly sent to stockholders. The Corporate Secretary certified that in accordance with SEC rules, the Notice with the Agenda, together with the Definitive Information Statement approved by the SEC was posted on the website of the Corporation on 23 June 2020. The Notice and Agenda was also published in Business Mirror and Malaya Business Insight for two (2) consecutive days, on 24 and 25 June 2020, and published on-line in the Business Mirror, the Manila Standard and the Manila Times on 24 and 25 June 2020 and was disclosed to the Philippine Stock Exchange on 23 June 2020.

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

The Corporate Secretary certified that there are present via remote communication, or represented by proxy, 78.41% of the outstanding capital stock of the Company. Accordingly, there was a quorum for purposes of the meeting.

The Corporate Secretary explained that as indicated in the Notice of the Meeting, stockholders may participate and attend the meeting only by remote communication. A dedicated email address was disclosed consistent with SEC rules so that stockholders would be able to register or to submit proxies on or before 7 July 2020. Shareholders who did so were considered present at the Meeting

### **Voting Procedure and General Protocol**

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

1. The required quorum for an annual stockholders' meeting is the presence in person or by proxy of stockholders holding a majority of the outstanding capital stock. As earlier stated, there is a quorum for today's meeting.
2. Only the items on the Agenda and in the Definitive Information Statement will be voted upon. Items that are not on the Agenda cannot be submitted to a vote by the shareholders.
3. As stated both in the Notice and in the Definitive Information Statement, stockholders may cast their votes through an online ballot which must be submitted on or before 12:00 noon of 15 July 2020 to the same dedicated email address. Stockholders may vote online until 12:00 noon of 15 July 2020. Voting instructions were provided in the Definitive Information Statement.

4. In the election of directors, cumulative voting may be adopted. Cumulative voting is explained in the Definitive Information Statement at page 5. The nine (9) nominees with the greatest number of votes will be elected directors.
5. Proxy forms, together with the Information Statement, were also made available in the Company website, for use by the shareholders for today's meeting. The proxy form contains each item on the Agenda that requires shareholders' vote. There are spaces in the proxy for YES, NO or ABSTAIN for each of the Agenda items.
6. For the election of directors, the names of each of the nominees are stated in the online voting form, and in the proxy. The shareholder may vote for all of the nominees; OR withhold a vote for all or for certain nominees. Votes are cast and counted in accordance with the shareholders' instructions, as reflected in the proxies.
7. The Company's stock transfer agent, Stock Transfer Service, Inc. will tabulate the votes. As necessary, such tabulation will be reviewed by SGV, the Company's independent external auditor.
8. The results of the voting on each item will be announced when the particular item is taken up and will be posted on the Company's website.
9. Stockholders were requested to submit their questions on or before 15 July 2020 at 12 noon, through the dedicated email address that was provided to shareholders. Management will endeavor to answer all the questions. If, due to time constraints, we are not able to answer all the questions, responses to remaining questions will be sent via email.

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

The Chairman announced that the first item on the Agenda was the reading and approval of the Minutes of the Annual General Stockholders' Meeting held on 20 May 2019 (the "2019 AGM"). The Minutes of the 2019 AGM were posted on the Company's website five business days after that meeting. At the request of the Chairman, the Corporate Secretary presented the resolution for approval:

***"RESOLVED,** that the reading of the Minutes of the Annual Meeting of Stockholders held on 20 May 2019 be as it is hereby dispensed with, and that said Minutes are hereby approved."*

According to the Corporate Secretary, based on the tabulation of votes, stockholders representing a total of 10,689,778,950 shares or 78.41% of the Company's outstanding capital stock voted in favor of the proposed resolution.

The Chairman declared the motion carried and announced that the Minutes of the Stockholders' Meeting held on 20 May 2019 were hereby approved.

## V. ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2019

The next item on the Agenda was the approval of the Annual Report and of the Company's Audited Financial Statements and the Notes thereto for the year ended 31 December 2019. Copies of the report and the audited financial statements were previously distributed to the shareholders in accordance with pertinent SEC rules.

The President and Chief Executive Officer, Mr. Martin Antonio G. Zamora, presented the highlights of the Annual Report followed by the Chief Financial Officer, Mr. Emmanuel L. Samson, who presented the financial and operating highlights.

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

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

#### *Operating Results*

The Company's mining subsidiaries achieved total sales of 18.8 million wet metric tonnes (WMT) of nickel ore, a slight decrease from the prior year's 19.3 WMT. Exports of saprolite ore decreased to 8.9 million WMT from 10.3 million WMT from the previous year. The drop was the result of the surge in higher grade saprolite ore exports from Indonesia, in anticipation of the re-imposition of the Indonesia export ban at the beginning of the year. On the other hand, exports of limonite ore increased to 1.6 million WMT from 1.2 million WMT. In addition, deliveries of limonite ore to associate companies, Coral Bay and Taganito HPAL (the "HPAL Plants"), increased to 8.4 million WMT, from 7.8 million WMT. The increase was attributable to the completion of remedial work at THPAL plant.

With respect to prices, the Company averaged \$25.00 per WMT for saprolite ore exports, as against \$22.7 per WMT from the prior year, an 11% increase. The higher price was the result in a change of the Company's ore mix, from low grade in 2018, to medium grade in 2019. The price of limonite exports also increased to \$15.00/WMT, as against \$12.00/WMT. The increases in export volume and price, resulted from the start-up of a number of NPI plants in China. For limonite sales to the HPAL Plants, the Company realized an average of \$6.2/lb of payable nickel, almost the same as the prior year. However, the realized price was lower at \$8.2/WMT, compared to \$10.00/WMT in 2018, due to the substantial drop in the price of cobalt. On a combined basis, the Company averaged \$16.70/WMT in 2019, marginally lower than the prior year.

The lower sales volume, lower cobalt price, and stronger peso resulted in a decrease in the Company's consolidated revenues, from P18.6 billion to P17.9 billion. Correspondingly, the attributable net income for the year decreased from P3 billion to P2.7 billion. On the basis of these results, on 13 March 2020, the Board of Directors approved a regular cash dividend of P0.08 per share. A cash dividend amounting to P1.09 billion was paid on 08 April 2020 to shareholders of record as of 27 March 2020.

#### *Economic and Social Contribution*

In 2019, the Company paid taxes and fees amounting P4.5 billion, including corporate income tax of P1.7 billion. With respect to mandated social development expenditures, the Company spent P143 million, primarily on infrastructure, livelihood,

health care and educational programs within the host communities of the Company's operations. Additionally, the Company spent P84 million on corporate social responsibility programs during the year.

The Company employed almost 7,000 individuals, both full-time and through a number of contractors.

#### *Industry Outlook*

With respect to the Company's nickel mining business, 2019 saw a deficit in the global nickel market, leading to a firmer London Market Exchange (LME) nickel price compared to the prior year.

With respect to the Company's renewable energy business, the prospects are positive. The 32 Megawatt (MW) solar plant in Subic generated P63 million pesos in cash from operations. Further, the Company secured its first power sales agreement, as part of its efforts to balance revenues from fixed and WESM-based sources. The Company also partnered with a leading Chinese tower equipment manufacturer, TBEA Company Ltd., which will invest to up to 20% in the Company's solar business, contributing to the financing, engineering, design and development of the solar plant. As a result, the Company is well positioned to expand its solar generation capacity to 100MW by 2021.

On the other hand, the corona virus disease (CoViD-19) is expected to take its toll on the local and global economies, the extent of which is still undetermined.

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

The President proudly announced that the Company, in partnership with THPAL, donated a molecular test laboratory, through the Philippine National Red Cross, which will provide not only Surigao del Norte, but the whole CARAGA region, a world class facility that can process tests for any viral and bacteriological afflictions.

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

The President said that the Company's commitment to raise the bar remains unchanged. With the shareholders' continued support, and the dedication of the Company's employees, the Company aims to emerge an even stronger one.



## Financial and Operating Results

The CFO presented the financial and operating results for 2019.

2019 was a difficult and challenging year for the Company, mainly due to the abundance of nickel ore supply coming from Indonesia. Fortunately, the Company started to see a recovery in ore price starting the 4<sup>th</sup> quarter of 2019, following the announcement of the Indonesian government that they will once again put in place an ore export ban which took effect on 01 January 2020.

With respect to realized ore prices, particularly the Company's delivery to the HPAL Plants, the Company achieved realized LME price of \$6.23 in 2019, higher than 2018's \$5.95 in 2018. However, when expressed in dollars per WMT, which includes the cobalt credits the Company receives for the cobalt in its ore, the Company achieved a realized price of \$8.19 per tonne, lower compared to the \$9.97 per tonne achieved in 2018. Cobalt prices fell significantly, from an average price of \$37.00 in 2018, to \$17.00 in 2019.

With respect to ore export sales the Company achieved an average realized price of \$23.52 per WMT, compared to \$21.53 per WMT realized in the prior year. On a combined basis, the average price realized from ore exports and ore deliveries from the HPAL plants in 2019 was \$16.69 per WMT, lower than the \$16.86 per WMT in 2018.

On foreign exchange rates, since 100% of the Company's revenues derived from mining is in US dollars, the movement in the peso and US dollar exchange rate will have a direct impact on the Company's profit and loss statements in 2 ways – (1) revenues; and (2) US dollar financial assets which the company holds. In 2019, the stronger peso negatively affected the Company's earnings. Realized foreign exchange rate was P51.72 to \$1.00 compared to \$53.00 to \$1.00 in 2018. The Company estimates that a P1.00 movement in the foreign exchange rate impacts the attributable net income of the Company by P140 million.

In terms of financial assets, almost 60% of the Company's cash and cash equivalents are held in US dollars. The stronger peso in 2019 resulted in a foreign exchange loss of P264 million, as compared to a foreign exchange gain of P363 million in 2018, and P80 million in 2017.

On shipment volumes, the surge in ore shipments coming from Indonesia in 2019 had an effect in Company's saprolite ore exports during the year. The Company had to put more effort in producing saprolite ore grades of at least 1.5% to be competitive, resulting to a slight drop in ore export volume during the year. As a result, shipment of ore grades below 1.5%, which amounted to 5.4 MT in 2017 and 3.7 MT in 2018, completely disappeared in 2019. The Company's lower ore shipment was partially offset by ore deliveries to HPAL plants which increased to 8.4 MT, as against 7.8 MT in 2018. Overall, total shipments fell by 3%.

On revenues, the effect of lower realized price of the Company's deliveries to the HPAL plants, which fell due to the big drop in cobalt prices is the main reason for the drop in mining revenues, to P16.3 billion in 2019, compared to P17.3 billion in 2018.

For 2019, the Company's cash cost per WMT sold was \$11.00, or a margin of 34%, a lower margin compared to the 39% in 2018. The lower margin in 2019 was due to a higher cash cost per tonne, resulting from lower shipments throughout the year, and increases in costs.

Finally, on the highlights of financial results for 2019 - total revenues are lower by 4% compared to 2018 mainly due to a decline in shipment, combined with lower prices related to the ore deliveries to the HPAL Plants. As a result of the drop in revenues, and higher costs relative to total shipments, the Company reported an EBITDA amounting to P6.5 billion. Finally, 2019 net income amounted to around P2.7 billion, a 10% decline as against the previous year.

## **OPEN FORUM**

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

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

***"RESOLVED**, that the Annual Report, together with the Audited Financial Statements and the notes thereto of the Corporation for the year ended 31 December 2019, be as they are hereby approved."*

The Corporate Secretary stated that based on the tabulation of votes, stockholders owning a total of 10,673,884,730 shares or 78.29% of the Company's outstanding capital stock voted in favor of the approval of the Annual Report, together with the Audited Financial Statements and the notes thereto of the Corporation for the year ended 31 December 2019.

The Chairman then declared that the motion was carried. The Company's Annual Report and the Audited Financial Statements and the notes thereto for the year ended 31 December 2018 were approved, ratified and confirmed.

## **VI. PRESENTATION AND APPROVAL OF FURTHER ADDITIONAL SHARES RESERVED FOR THE 2018 STOCK OPTION PLAN**

The next item on the Agenda was the approval of the reservation for further additional shares under the 2018 Stock Option Plan (the "2018 SOP"). The Chairman asked the Corporate Secretary to discuss the resolution for approval.

According to the Corporate Secretary, At a meeting held on 13 March 2020, the Board approved resolutions: (1) to increase the number of shares reserved under the 2018 SOP to Three Hundred Seventy Five Million (375,000,000) common shares, or by an additional Ninety Six Million Twenty Three Thousand Two Hundred Eight (96,023,208) common shares (the "Further Additional Shares"), and (2) any amendment to the 2018 SOP as may be necessary to effect the increase in number of shares reserved for the Plan. The resolution for approval by the stockholders is:

***"RESOLVED*, that the shareholders of Nickel Asia Corporation approve, as they hereby approve, the additional Ninety Six Million Twenty Three Thousand Two Hundred Eight (96,023,208) common shares (the "Further Additional Shares") to be reserved under the 2018 Stock Option Plan (the "Plan"), which will entail the concomitant waiver of pre-emptive rights with respect to such Further Additional Shares and authorize the requisite amendment to the Plan as necessary to effect the increase in the number of shares reserved for the Plan."**

Based on the tabulation of votes, shareholders holding 10,370,467,289 shares, representing 76.07% of the outstanding capital stock, have voted in favor of the further additional shares to be reserved for the 2018 Stock Option Plan, and the necessary amendments to the 2018 SOP to effect the increase in number of shares.

The Chairman declared the motion carried. Having received the affirmative votes of stockholders, the further additional shares to be reserved for the 2018 Stock Option Plan, and the necessary amendments to the 2018 SOP to effect the increase in number of shares are hereby approved.

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

The Chairman said that the next item on the Agenda is the ratification and approval of the acts of the Board of Directors and executive officers during the year 2019. The Corporate Secretary presented the resolution for approval:

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

At the Chairman's request, the Corporate Secretary informed the stockholders that based on the tabulation of votes, shareholders holding 10,579,100,778 shares, representing 77.6% of the Company's outstanding capital stock, have voted in favor of the approval and ratification of the acts of the Board of Directors and Officers of the Company during the past year.

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

#### **VIII. APPOINTMENT OF INDEPENDENT AUDITORS**

The Chairman said that the next item on the Agenda is the appointment of the Company's independent auditors. He said that the Audit Committee recommended the appointment of Sycip Gorres Velayo & Company as independent auditors of the Company

for 2020, and the Board of Directors approved and accepted the recommendation. The Corporate Secretary presented the resolution for approval:

***“RESOLVED, that accounting firm of Sycip, Gorres Velayo & Company, as recommended by the Audit Committee and the Board of Directors, be appointed as the external auditor of the Corporation for the year 2020 and until its successor is duly appointed.”***

At the Chairman’s request, the Corporate Secretary informed the stockholders that based on the tabulation of votes, shareholders holding 10,594,994,998 shares, representing 77.72% of the outstanding capital stock, voted in favor of the appointment of Sycip Gorres Velayo & Company as the independent external auditors of the Company for 2020.

The Chairman declared the motion carried. The appointment of Sycip Gorres Velayo & Company as independent auditors of the Company for 2020 was approved.

#### **IX. ELECTION OF DIRECTORS**

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

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

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

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

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



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

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

**X. OTHER MATTERS**

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

**XI. ADJOURNMENT**

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

Prepared by:

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

Attest:

**GERARD H. BRIMO**  
*Chairman*

**NICKEL ASIA CORPORATION  
ANNUAL STOCKHOLDERS' MEETING 2020**

**TOTAL OUTSTANDING SHARES - 14,350,850,117**

**TOTAL OUTSTANDING CAPITAL STOCK - P6,849,836,058.50**      **COMMON SHARES - 13,630,850,117**  
**PERCENTAGE OF ATTENDANCE - 78.41%**                      **PREFERRED SHARES - 720,000,000**

AGENDA ITEM	IN FAVOR		AGAINST		ABSTAIN	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Approval of minutes of annual stockholders' meetings held on 20 May 2019	10,689,778,950	78.41%	0	0.00%	0	0.00%
Approval of Annual Report and Audited Financial Statements for the year ended 31 December 2019	10,673,884,730	78.29%	0	0.00%	15,894,220	0.12%
Approval of Reservation of Further Additional Shares for 2018 SOP	10,370,467,289	76.07%	224,527,709	1.64%	94,783,952	0.70%
Ratification and approval of the acts of the Board Directors and Executive Officers for the Year 2019	10,579,100,778	77.60%	0	0.00%	110,678,172	0.81%
Appointment of SyCip, Gorres, Velayo & Co. as independent auditors	10,594,994,998	77.58%	0	0.00%	94,783,952	0.70%
<b>Election of Directors</b>	<b>IN FAVOR</b>					
	<b>No. of Shares</b>			<b>%</b>		
1) Gerard H. Brimo	10,576,189,248			77.58%		
2) Martin Antonio G. Zamora	10,582,992,603			77.63%		
3) Philip T. Ang	10,348,459,850			75.91%		
4) Luis J. L. Virata	10,351,228,185			75.93%		
5) Maria Patricia Z. Ringen	10,351,228,185			75.93%		
6) Masahiro Kamiya	10,349,175,745			75.91%		
7) Hiroshi Yoshida	10,351,228,185			75.93%		
8) Frederick Y. Dy - Independent	10,584,436,043			77.64%		
9) Angelo Raymundo Q. Valencia – Independent	10,584,995,038			77.72%		

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

**CERTIFICATE OF INDEPENDENT DIRECTOR**

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

1. I am nominated for re-election as Independent Director of **NICKEL ASIA CORPORATION** (the "Company"), a corporation duly organized and existing under Philippine law, with principal office at 28/F NAC Tower 32nd Street, Bonifacio Global City, Taguig, 1634 Metro Manila, at the Company's 2021 Annual Stockholders' Meeting to be held on 04 June 2021. I have been Independent Director of the Company since 08 May 2020.

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

<b>Name of Corporation/ Organization</b>	<b>Position/s Held</b>	<b>Period of Service</b>
Guagua Rural Bank	Independent Director	February 4, 2021 to present
	Chairman, Audit and Compliance Committee	February 4, 2021 to present
Community Sustainability Ventures, Inc.	Managing Director	December 15, 2019 to present
NOLCOM Heroes Foundation	Member, Board of Advisors	May 21, 2019 to present
Country Bankers Life and Non-Life Corporation	Independent Director	April 23, 2019 to present
	Chairman, Governance Committee	November 19, 2020 to present
AFP Command Staff Graduate Course	Lecturer	April 16, 2019 to present



UP Alumni Association, Pampanga Chapter	Member, Board of Directors Corporate Secretary	April 2019 to present
AFP Leadership Development Center	Member, Advisory Council	November 28, 2018 to present
Philippine Marine Corps	Member, Board of Advisors	August 31, 2017 to present
Development Academy of the Philippines	Senior Fellow	June 22, 2017 to present
Mashiglia Inc.	Director	April 7, 2016 to present
YD Trucking Services, Corp.	President/Chairman	March 3, 2015 to present
Just Projects Philippines Foundation, Inc.	Director	June 4, 2014 to present
Shitamachi Ramen Philippines, Inc.	President/Chairman	March 12, 2012 to present

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

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

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

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





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

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

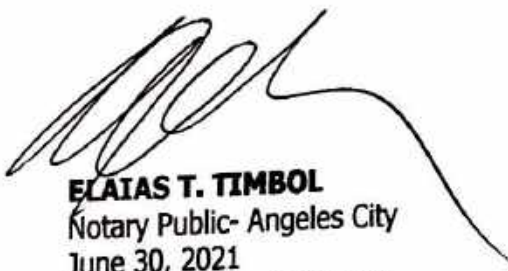
Done this \_\_\_ day of April 2021 at Makati City, Metro Manila.

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

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of April 2021, affiant exhibiting to me his Competent Evidence of Identity consisting of his Tax Identification No. (TIN) Card 132-684-840-000, bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 19 ;  
Page No.: 2 ;  
Book No.: III ;  
Series of 2021.

C2433 Certificate ID Valencia (2021) / wam27 dfp74

  
**ELIAS T. TIMBOL**  
Notary Public- Angeles City  
June 30, 2021  
Commission No. 2018-722  
PTR No. AC-1617506/1-18-2021/AC  
IBP No. 145881/01-13-21  
Roll of Attorneys No. 38535  
MCLE No. VI-0020062/4-4-2022  
2<sup>nd</sup> Floor, GRBank Bldg., Friendship  
Highway, Brgy. Anunas, Angeles City

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

**CERTIFICATE OF INDEPENDENT DIRECTOR**

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

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

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

<b>Name of Corporation/ Organization</b>	<b>Position/s Held</b>	<b>Period of Service</b>
Philippine Bank of Communications	Director	July 2020 to present
Cosco Capital, Inc.	Director	April 2020 to present
International School of Sustainable Tourism	Trustee	February 2020 to present
Air Speed International Inc.	Director	January 2020 to present
Gothong Southern Shipping, Inc.	Director	January 2020 to present
Alphaland Corporation	Director	September 2019 to present

Philippine Eagle Foundation, Inc.	Vice Chairman	December 2016 to present
SKAL Makati International	President	March 2016 to present
Financial Executives of the Philippines	Member	2004 to present
Rotary Club of Makati West	Member	1999 to present
UE Ramon Magsaysay Medical Memorial Center	Trustee	August 1991 to present
University of the East	Trustee	August 1991 to present

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

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

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

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

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

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

APR 22 2021

Done this \_\_\_ day of April 2021 at Makati City, Metro Manila.




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

APR 22 2021

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of April 2021, affiant exhibiting to me his Competent Evidence of Identity consisting of his Philippine Driver's License No. N12-76-000005 issued by LTO Branch N32 on March 8, 2018, bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 14r ;  
Page No.: 70 ;  
Book No.: 2 ;  
Series of 2021.

C2433 Certificate ID Bautista (2021) / wam27



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

PTR No. A-4689468 dated 03 January 2020 / Taguig City  
IBP No. 05593 (Lifetime) / O.R. No. 669506 / 09 January 2006  
MCLE Compliance No. VI-0018369, until 14 April 2022  
28F NAC Tower, 32nd Street, BGC, Taguig City



## **REPORT ACCOMPANYING THE INFORMATION STATEMENT**

### **MANAGEMENT REPORT**

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

The audited consolidated financial statements of Nickel Asia Corporation (hereafter, the "Company", "Parent Company", or "NAC") and its subsidiaries for the year ended 31 December 2020 in compliance with SRC Rule 68, as amended, is attached to the Information Statement and is incorporated by reference.

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

The Company's consolidated financial statements for the year ended 31 December 2020 have been audited by SyCip Gorres Velayo & Co (SGV & Co, a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

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

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

The following table sets out the aggregate fees incurred for the year 2020 and 2019 for professional services rendered by SGV & Co.:

	2020	2019
	<i>(In Thousands)</i>	
Audit and Audit-Related Services	P15,817	P16,086
Non-Audit Services	2,685	825
Total	P 18,502	P16,911

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

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

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

#### **Summary Financial Information**

The Consolidated Financial Statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 are hereto attached.

The following tables set forth the summary financial information for the three (3) years ended December 31, 2020, 2019 and 2018 and as at December 31, 2020, 2019 and 2018:

## **RESULTS OF OPERATIONS**

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

#### *Revenues*

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

#### *Sale of Ore*

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

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

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

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

The Rio Tuba mine accounted for 28% of total shipments, consist of 1.98 million WMT of saprolite ore and 3.03 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.00 million WMT. The comparable figures for last year were 1.45 million WMT and 3.43 million WMT or a total of 4.88 million WMT.

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

The realized Peso/U.S. dollar exchange rate for ore sales was ₱49.15 in 2020 compared to ₱51.72 in 2019.

#### *Sale of Limestone*

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

### *Sale of Quarry Materials*

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

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

The Group's revenue from services and others declined by 8% to ₱629.5 million from ₱681.7 million following the 4% decrease in the materials handled by RTN for CBNC. Services revenue largely consists of payments made in consideration for hauling, manpower and other ancillary services that RTN and TMC provide to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

### *Sale of Power*

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

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

### Costs

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

### *Cost of Sales*

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

### *Cost of Services*

Cost of services fell by 1% to ₱328.6 million from ₱331.8 million. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC.

### *Cost of Power Generation*

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

### Operating Expenses

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

#### *Excise Taxes and Royalties*

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

#### *Shipping and Loading Costs*

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

#### *General and Administrative*

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

#### *Marketing*

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

#### *Finance Income*

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

#### *Finance Expenses*

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

#### *Equity in Net Income of Associates*

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

#### *Other Income (Charges) - Net*

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

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

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



### Net Income

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

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

#### Revenues

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

#### Sale of Ore

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

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

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

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

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

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

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

The realized Peso/U.S. dollar exchange rate for ore sales was ₱51.72 in 2019 compared to ₱53.00 in 2018.

#### *Sale of Limestone*

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

#### *Sale of Quarry Materials*

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

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

The Group's revenue from services and others improved by 9% to ₱681.7 million from ₱627.7 million. Services revenue largely consists of payments made to the Company in consideration for hauling, manpower and other ancillary services that RTN and TMC provide to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

#### *Sale of Power*

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

#### Costs

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

#### *Cost of Sales*

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

#### *Cost of Services*

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

#### *Cost of Power Generation*

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

#### Operating Expenses

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

#### *Excise Taxes and Royalties*

NAC's excise taxes and royalties was down by only 1% to ₱1,787.3 million from ₱1,804.0 million which was triggered mainly by lower volume and value of shipments in the current year.

#### *Shipping and Loading Costs*

Shipping and loading costs dropped by 9% because of lower net demurrage incurred in 2019 which amounted to ₱23.1 million only compared to ₱40.9 million in 2018, lower shipment

volume, decrease in other services and fees incurred in 2019 and longer chartering period in 2018 compared to 2019.

#### *General and Administrative*

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

#### *Marketing*

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

#### *Finance Income*

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

#### *Finance Expenses*

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

#### *Equity in Net Income of Associates*

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

#### *Other Income (Charges) - Net*

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

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

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

#### *Net Income*

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

### **Calendar year ended December 31, 2018 compared with calendar year ended December 31, 2017**

#### *Revenues*

NAC's total revenues in 2018 was ₱18,647.7 million, higher by ₱2,908.4 million or 18% compared to ₱15,739.3 million in 2017.

### *Sale of Ore*

The increase in shipment volume was mainly the result of higher ore export sales which, combined with an improvement in average realized ore prices and a more favorable Peso to U.S. dollar exchange rate, resulted to an increase in the Group's value of shipments by 20% to ₱17,294.3 million from ₱14,434.8 million.

Of the total volume of ore shipped, direct export of ore, which accounted for 60% of total shipments, rose to 11.54 million WMT from 9.64 million WMT in 2017. On the other hand, ore deliveries to both the Coral Bay and Taganito processing plants, which accounted for the balance, decreased to 7.81 million WMT as compared to 8.06 million WMT in 2017.

In terms of price, the Group realized an average of \$5.95 per pound of payable nickel on its shipments of ore to the two (2) HPAL plants in 2018, the pricing of which is linked to the LME. This compares to an average price of \$4.67 per pound of payable nickel sold in 2017. With respect to export sales, the Group achieved an average price of \$21.53 per WMT compared to \$24.42 realized in the prior year. On a combined basis, the average price received for sales of both ore exports and ore deliveries to the two (2) plants in 2018 was \$16.86 per WMT, higher than the \$16.17 achieved in 2017.

On a per mine basis, the Group's Taganito mine accounted for 46% of total shipments during the year. The mine shipped 4.01 million WMT of saprolite ore and 4.80 million WMT of limonite ore, of which 4.25 million WMT were delivered to the Taganito HPAL plant, or a total combined shipment of 8.81 million WMT. The comparable figures for last year were 3.05 million WMT of saprolite ore and 4.59 million WMT of limonite ore delivered to the Taganito HPAL plant, or a combined shipment of 7.64 million WMT.

The Rio Tuba mine accounted for 30% of total shipments, which consisted of 2.20 million WMT of saprolite ore and 3.55 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.75 million WMT. The comparable figures for last year were 2.12 million WMT of saprolite ore, 3.47 million WMT of limonite ore to the Coral Bay HPAL plant and 0.17 million WMT of limonite ore to Chinese customers or a total of 5.76 million WMT.

Shipments from the Group's Hinatuan mine amounted to 2.15 million WMT in 2018 compared to 2.45 million WMT in 2017. On the other hand, the Cagdianao mine shipped 2.64 million WMT in 2018 versus 1.85 million WMT in 2017.

The realized Peso/U.S. dollar exchange rate for ore sales was ₱53.00 in 2018 compared to ₱50.42 in 2017.

### *Sale of Limestone*

Rio Tuba's revenue from sale of limestone slightly went down to ₱447.3 million in 2018 compared to ₱462.3 million in 2017.

### *Services and Others*

The Group's revenue from services and others slightly dropped to ₱627.7 million from ₱630.1 million. Services revenue largely consists of payments made to the Company in consideration for hauling, manpower and other ancillary services that RTN and TMC provide to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

### *Sale of Power*

Sale of power jumped by 31% to ₱278.4 million from ₱212.2 million since JSI, a subsidiary of EPI, generated 42,986MW hours (MWh) of energy in 2018 compared to 39,161 MWh in 2017. The increase in its production was mainly due to the completion of the 32MW capacity in March 2017. Moreover, the diesel power plant of NAC in Surigao started to operate the first of the three (3) generator sets in June 2018 and the second one in December 2018; thus, additional



revenue from power generation activities were recognized. The sale of power in 2018 also includes the CRF billed to SURNECO based on the 2/3 contracted capacity of the plant which was equivalent to two (2) generator sets running.

#### Costs

The Group's costs went up by 13% or ₱850.6 million, from ₱6,599.2 million to ₱7,449.8 million.

#### *Cost of Sales*

The Group's cost of sales increased by 12% to ₱6,771.0 million in 2018 compared to ₱6,033.2 million in 2017 due to a hike in diesel prices, which rose by an average of ₱10.00/liter, plus higher consumption during the year, increase in cost of outsourced labor for non-core services and contractor's fee, higher operating and maintenance cost of the conveyors, more equipment rental and increase in materials moved in CMC.

#### *Cost of Services*

Cost of services grew by 3% to ₱318.3 million from ₱308.7 million. The increase in cost of services was attributable mainly to the absorption of manpower from the contractors; increase in share in fixed cost, from 3% to 6%; and hike in fuel prices, which rose by an average of ₱10.00/liter.

#### *Cost of Power Generation*

Cost of power generation climbed by 40% to ₱360.6 million from ₱257.3 million mainly on account of JSI's higher lease on land and building. In addition, the diesel power plant in Surigao started to operate its two (2) generator sets in 2018; thus, fuel consumption of the plant increased during the year.

#### Operating Expenses

The Group's operating expenses amounted to ₱5,106.8 million in 2018 compared to ₱3,832.4 million in 2017, an increase of ₱1,274.4 million, or 33%.

#### *Excise Taxes and Royalties*

NAC's excise taxes and royalties jumped 63% to ₱1,804.0 million from ₱1,103.7 million. Aside from the impact of the Tax Reform for Acceleration and Inclusion (TRAIN) law which increased the excise tax rate from 2% to 4% effective January 1, 2018, the higher volume and value of shipments triggered the significant jump in the account.

#### *Shipping and Loading Costs*

Shipping and loading costs grew by 10% due to the combined effects of more LCTs chartered earlier during the year, increase in the number of shipments from 203 vessels in 2017 to 236 vessels in 2018 and higher stevedoring and wharfage charges as a result of increase in shipment volume.

#### *General and Administrative*

General and administrative expenses rose by 41% from ₱863.2 million to ₱1,213.0 million in 2018 and this was driven by higher business taxes paid as a result of a higher income base in 2017 than 2016, payment of ₱8.0 million real property tax for the diesel power plant, higher documentary stamp tax (DST) on shipment remittances and other collections caused by the implementation of the TRAIN law, payment of DST on 80% stock dividends issued by the Parent Company and on other issuances of capital stock of the Group and payment of SEC filing fees for the extension of RTN's corporate life and for the increase in CMC's authorized capital stock. Personnel cost also rose by 51% due to the hiring of new employees (particularly officers/managers), annual increase in employee rates and/or benefits and accrual of the new stock option plan.

### *Marketing*

Marketing costs went up by 45% from ₱96.5 million to ₱140.2 million in 2018 which was driven by the increase in the Group's sales revenue in 2018 compared with 2017. Also, the commission paid by CMC to its claim owner and the marketing fees paid to Mitsubishi Corporation are computed based on a certain percentage of sales revenue.

### *Finance Income*

The Group's finance income went up by 17% to ₱354.8 million from ₱302.0 million which arose mainly from higher interest income from short-term cash placements.

### *Finance Expenses*

The Group's finance expenses dropped by 15% to ₱245.6 million from ₱289.3 million due to the prepayment by EPI of half of its principal bank loans in September 2017.

### *Equity in Net Income of Associates*

The Group's equity in net income of THNC and CBNC rose from ₱198.0 million to ₱348.2 million. Profitable operations of its associates were achieved as a result of higher nickel and cobalt LME prices. Cobalt is a by-product of the processing plants of THNC and CBNC. The favorable peso to U.S. dollar exchange rate also contributed to the significant increase in its equity from associates.

### *Other Income (Charges) - Net*

NAC's other income - net went down by 399% to ₱217.0 million charges from ₱72.6 million income. In 2018, the Group prudently set aside ₱514.9 million provision for impairment losses for the uncollected advances made by JSI to the contractor for the construction of its solar power facility in Subic Bay Freeport Zone. However, this was partially offset by the depreciation of the Philippine peso against the U.S. dollar which led to the increase in foreign exchange gains by ₱282.5 million.

### *Provision for Income Tax - Net*

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

### *Net Income*

As a result of the foregoing, NAC's consolidated net income was ₱4,222.9 million in 2018 compared to ₱3,854.1 million in 2017. Net of non-controlling interests, its net income was ₱3,008.1 million in 2018, which was higher by 9% compared to ₱2,770.8 million in 2017.

## **FINANCIAL POSITION**

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

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

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

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

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

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

NAC's equity net of non-controlling interests as at December 31, 2020 slightly improved by 1% to ₱31,042.4 million due to continued profitable operations net of cash dividends paid.

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

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

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

Noncurrent assets improved by 5% from ₱25,051.8 million to ₱26,238.7 million due to the following: 1) adoption of PFRS 16 wherein, instead of recognizing a rent expense, a right-of-use assets were recognized for leases that falls within the definition of the standard. Total right-of-use assets that were capitalized in 2019 amounted to ₱637.0 million; 2) adjustments in the capitalized cost of mine rehabilitation and decommissioning amounting to ₱204.8 million; and 3) increase in the market value of the investments in Keyland Ayala Properties, Inc. of ₱204.9 million.

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

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

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

### **Calendar year as at December 31, 2018 and 2017**

As at December 31, 2018, NAC's total assets slightly climbed to ₱46,032.5 million from ₱45,737.1 million as of the end of 2017.

Current assets slightly went up to ₱20,980.7 million from ₱20,898.4 million following the increase in its receivables from customers by ₱98.6 million, current portion of loan receivable by ₱52.0 million, inventories by ₱241.9 million, and prepayments and other current assets by ₱235.0 million. However, the increase was partially offset by the disposal of one of its portfolio investments managed by an offshore bank.

Noncurrent assets improved by 1% from ₱24,838.7 million to ₱25,051.8 million propelled by the 20% growth in our investments in THNC and CBNC as a result of improved nickel and cobalt LME prices. However, the increase was partially offset by the application of 50% commission and royalties payable against the loan receivable from East Coast and reduction in the capitalized cost of mine rehabilitation and decommissioning.

Current liabilities rose by 3% to ₱9,866.1 million from ₱9,614.4 million due to the ₱180.6 million increase in income tax payable owing to the higher taxable income in 2018 compared to 2017.

Noncurrent liabilities slid by 6% to ₱2,715.6 million from ₱2,904.5 million due to the reduction in the capitalized cost of mine rehabilitation and decommissioning by ₱128.3 million and reclassification of the current portion of long-term debts amounting to ₱60.6 million.

NAC's equity net of non-controlling interests as at December 31, 2018 slightly improved by 1% to ₱29,664.7 million due to continued profitable operations and recognition of additional gains from valuation of financial assets as a result of PFRS 9 adoption net of cash dividends paid.

## **CASH FLOWS**

### **Calendar years ended December 31, 2020, 2019 and 2018**

Net cash flows from operating activities in 2020 amounted to ₱8,782.0 million compared to ₱5,837.6 million in 2019 and ₱4,828.9 million in 2018. In 2020, proceeds from sale of ore were higher than 2019 and 2018 because of higher prices for its ore exports.

Cash from or used in investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets pertaining to debt and equity securities. In 2020 and 2019, the Parent Company's net acquisitions of debt and equity securities amounted to ₱813.2 million and ₱103.8 million, respectively, and the net acquisitions of property and equipment were ₱2,130.6 million and ₱1,250.5 million, respectively. In addition, the Group issued loans amounting to ₱543.8 million in 2019. Due to these, cash flows used in investing activities amounted to ₱2,787.0 million in 2020 and ₱1,573.1 million in 2019. In 2018, the Parent Company received cash amounting to ₱1,581.2 million following the disposal of one of its investment portfolio managed by a foreign bank, and the Group's spending for capital expenditures was lower at ₱1,059.2 million compared to the succeeding years. As a result, in 2018 the Group has cash inflow from investments of ₱857.4 million.

Cash used in financing activities were spent mainly for payments of cash dividends, short-term and long-term debts plus the related interest which amounted to a total of ₱7,431.3 million, ₱4,214.6 million and ₱6,170.1 million in 2020, 2019 and 2018, respectively. Cash dividends paid in 2020 and 2018 were higher compared to 2019 due to the special cash dividends declared on those years. However, these payments were partially offset by the proceeds from bank loans amounting to ₱1,489.0 million in 2020 and ₱1,488.9 million in 2019 and 2018.

As at December 31, 2020, 2019 and 2018, cash and cash equivalents amounted to ₱11,835.2 million, ₱11,943.1 million and ₱10,784.4 million, respectively.

## **TOP FIVE KEY PERFORMANCE INDICATORS**

### **1) SALES VOLUME**

The volume of saprolite ore that NAC sells largely depends on the grade of saprolite ore that it mines. The volume of limonite ore that it sells to customers in China largely depends on the demand for NPI and carbon steel in China. PAMCO purchases high-grade saprolite ore that the Group is able to extract and ship at any given time. With respect to low-grade saprolite and limonite ore, in periods when the Group is able to extract more ore than it is able to ship, it generally continues its mining operations and stockpiles such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of the Group's low-grade saprolite and limonite ore sales to Chinese customers is



roughly correlated with the LME nickel price, with volume increasing as nickel prices rise. In addition to sales of nickel ore to PAMCO and customers in China, the Group sells limonite ore from its Rio Tuba mine to the Coral Bay HPAL facility, in which we have a 10% equity interest, and from our Taganito mine to the Taganito HPAL facility, in which the Parent Company also holds a 10% equity interest. CBNC purchases an amount of limonite ore from the Group sufficient to meet its ore requirements. The annual capacity of its Coral Bay HPAL facility was originally 10,000 tonnes of contained nickel and was expanded to 20,000 tonnes of contained nickel in the second half of 2009, resulting in a higher volume of limonite ore sales from RTN. In 2010, the Coral Bay HPAL facility was able to attain an annual capacity of 24,000 tonnes as a result of the facility's expansion in 2009 which became fully operational in 2010. The Taganito HPAL facility has an annual capacity of 30,000 tonnes of mixed nickel-cobalt sulfide over an estimated thirty (30) year project life.

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

NAC realizes higher sales prices for saprolite ore than for limonite ore. Accordingly, the type and grade (which is a factor of nickel content) of the ore that the Group mines affects its revenues from year to year. The quantity of saprolite ore that it mines annually depends on the customer demand and the availability of such ore at its mine sites. The mix between high-and low-grade saprolite ore at the Group's mine sites coupled with its long-term mining plan determines the quantities of each that it extracts on an annual basis. The quantity of limonite ore that it mines on an annual basis depends on the amount of such ore that needs to be removed in order to extract the saprolite ore, as well as market demand.

In 2020 and 2019, NAC sold an aggregate of 18.20 million WMT and 18.84 million WMT, respectively.

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

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

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

The average total cost per volume sold in 2020 is ₱690.79 per WMT on the basis of aggregate cash costs of ₱12,574.9 million and a total sales volume of 18.20 million WMT of ore. This compares to ₱609.65 per WMT in 2019 on the basis of aggregate cash costs of ₱11,483.1 million and a total sales volume of 18.84 million WMT of ore.

#### **3) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit or loss for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱4,068.7 million in 2020 compared to ₱2,685.0 million in 2019.

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

NAC adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. In 2018, the DENR, through the issuance of DAO 2018-19, prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines and provides limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. The DAO also requires that temporary revegetation be immediately implemented on the disturbed areas.

All NAC operating companies are well within the norm of the DENR which is 26 hectares per million WMT sold. In 2020 and 2019, the open hectares per million WMT sold was 15.29 and 16.63, respectively.

#### **5) FREQUENCY RATE**

Health and safety are integral parts of the Group's personnel policies. Its comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to its operations. The Group measures its safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2020 and 2019, NAC's frequency rate is 0.05 and 0.23, respectively.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company, solidarily with EPI, guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC (see Note 15 to the Consolidated Financial Statements).

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.

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

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

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

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

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

#### **A. Corporate Profile**

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

The Company has the following subsidiaries:

Hinatuan Mining Corporation

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

Cagdianao Mining Corporation

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

La Costa Shipping and Lighterage Corporation

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

Dinapigue Mining Corporation

DMC was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits. DMC was acquired by the Parent Company in August 2015. DMC has not yet started commercial operations and is currently under development stage. On March 5, 2018, the SEC approved the application to change its corporate name from Geogen Corporation to Dinapigue Mining Corporation.

Samar Nickel Mining Resources Corporation

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

Coral Pearl Developments Limited

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

CDTN Services Company Inc.

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

Falck Exp Inc.

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

Cordillera Exploration Co., Inc.

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

Newminco Pacific Mining Corporation

Newminco was incorporated on October 9, 2006 and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of

minerals and mineral resources. Newminco was acquired by CExCI in December 2015. It is currently not engaged in any development or commercial production activities.

#### Taganito Mining Corporation

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

#### Rio Tuba Nickel Mining Corporation

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

#### Emerging Power Inc.

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

#### Mindoro Geothermal Power Corporation

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

#### Biliran Holdings Inc. (BHI)

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

#### Northern Palawan Power Generation Corporation (NPPGC)

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

#### Jobin-SQM Inc. (JSI)

JSI was incorporated on January 6, 2010, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin is the holder of Solar Energy Service Contract (SESC) No. 2013-10-039 and Wind Energy Service Contract (WESC) No. 2013-10-062 which both covers an area in the municipalities of Morong and Hermosa, Bataan. Jobin was acquired by EPI in July 2015.

#### Biliran Geothermal Incorporated (BGI)

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



service contracts including geothermal services. BGI's project, the Biliran Geothermal twenty-five (25) year concession, was estimated to supply 50 MW of power to the grid but according to research conducted by BGI, it can further produce up to 60 MW. BGI was acquired by BHI in December 2015. In 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the DOE.

## **B. Business Overview**

NAC exports saprolite and limonite ore to customers in Japan and China. The Company's customers use its ore for the production of ferronickel and nickel pig iron (NPI), both used to produce stainless steel, and for the production of pig iron used for carbon steel. NAC is also the exclusive supplier of limonite ore from its Rio Tuba mine to the Coral Bay plant, the country's first hydrometallurgical nickel processing plant owned by Coral Bay Nickel Corporation (CBNC), where NAC has a 10% equity interest. CBNC became operational in 2005 and currently operates at a capacity of 24,000 tonnes of contained nickel and 1,500 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. It has proven to be the world's most efficient facility using the high-pressure acid leach (HPAL) process.

In 2010, the Company made an investment of ₱4.4 billion for a 22.5% equity interest in the country's second hydrometallurgical nickel processing plant under Taganito HPAL Nickel Corporation (THNC). The plant started its commercial operation in October 2013, and currently operates at a capacity of 30,000 tonnes of contained nickel and 1,500 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. The Taganito mine of the Company's subsidiary, Taganito Mining Corporation (TMC) supplies all of the limonite ore for the plant. At a total project cost of US\$1.7 billion, the plant represents the single largest investment in the Philippine minerals sector.

In 2016, the Company made a strategic decision to reduce its ownership in the Taganito plant from 22.5% to 10.0%, the same equity level that it has in the Coral Bay plant. While the Taganito and Coral Bay plants are globally recognized to be of the highest quality and operating efficiency, as with most other nickel processing plants worldwide, profitable operations cannot be achieved at current low nickel prices. The Taganito plant in particular requires further shareholder funding in order to complete a number of capital expenditure projects in the pipeline.

The reduction in the Company's equity in THNC was achieved by a sale of shares to the majority owner of the plant and one of the Parent Company's major shareholders, Sumitomo Metal Mining Co., Ltd. (SMM). The sale, concluded on October 17, 2016, resulted in an inflow of ₱2,037.2 billion and a gain of ₱239.6 million.

Apart from NAC's four (4) operating mines, it has other properties in various stages of exploration for nickel, while continuing to seek opportunities in copper and gold. In November 2010, the Parent Company concluded the purchase of Cordillera Exploration Co., Inc. (CExCI) from Anglo American Exploration (Philippines), Inc. ("Anglo American"), with four properties in the Central Cordillera of northern Luzon that are prospective for gold and copper. The purchase marks the Company's first step in its vision to become a diversified mineral resource company. In November 2011, SMM acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

In 2015, CExCI identified a new property in the province of Zambales for exploration and development under Newminco Pacific Mining Corporation (Newminco), which is also prospective for gold and copper. In relation to this, SMM put in an additional investment of US\$2.8 million to increase its ownership in CExCI from 25% to 40%. Newminco is the holder

of an Exploration Permit (EP) for areas located in Zambales. In 2019, CExCI acquired from Marian Mineral Exploration Co., Inc. ("Marian") and Olympus Mineral Exploration Co., Inc. ("Olympus") the right to apply for the conversion of the Application for Mineral Production Sharing Agreement No. 000021-II ("APSA") issued in favor of Marian and Olympus into an Exploration Permit Application, Exploration Permit and/or Mineral Agreement, and any mode of mineral agreement that may be applied for in the 6,325 hectare area located in Cordon, Isabela and Diadi, Nueva Vizcaya subject of the APSA. CExCI applied for the conversion of APSA No. 000021-II into an exploration permit. In January 2020, the Mines and Geosciences Bureau (MGB) Region 2 office approved the conversion of APSA No. 000021-II into an EP in favor of CExCI.

In August 2015, the Company also concluded the purchase of 100% equity interest in Dinapigue Mining Corporation (DMC), which is the claim owner of the Isabela Nickel Project in Dinapigue, Isabela.

NAC also moved into the area of renewable energy and power generation. In 2018, it completed the construction of a 10 megawatt (MW) diesel power plant at a cost close to ₱900.0 million. Power is currently being sold to the Surigao del Norte Electric Cooperative, Inc. (SURNECO) under a Power Supply Agreement. The diesel power plant, which commenced operations in 2018, is designed to alleviate the shortage of power particularly in Surigao City.

NAC's entry into the renewable power business was formalized in 2015 with the conversion of a ₱446.0 million loan to equity and an additional equity infusion of ₱474.0 million, which corresponds to an equity ownership in Emerging Power, Inc. (EPI) of 66%. In 2016, the Company subscribed to additional common shares of EPI for ₱660.0 million and this increased the Company's equity interest in EPI to 70.92%. As at December 31, 2017, the Parent Company's equity interest in EPI stood at 86.29% as a result of fresh equity infusion of ₱1.5 billion in September 2017.

EPI's mission is to engage in power generation exclusively from renewable sources. EPI has a number of Renewable Energy Service Contracts, principally a 100 MW solar service contract under Jobin-SQM Inc. (JSI), located in the Subic Bay Freeport Zone; two (2) geothermal service contracts under Biliran Geothermal Incorporated (BGI), in the province of Biliran, Leyte; and a geothermal service contract under Mindoro Geothermal Power Corporation (MGPC) in Naujan, Oriental Mindoro. In 2020, JSI applied for a second 100MW solar service contract also located at the Subic Bay Freeport Zone. The new service contract of JSI was awarded on February 3, 2021.

JSI completed testing and commissioning of 32.337 MWp of solar power, comprising Phases I and II of the Sta. Rita Solar Power Project (Solar Project) in 2017. In 2018, the Energy Regulatory Commission (ERC) extended the effectivity of Jobin's Provisional Authority to Operate the 32.337 MWp solar plant until May 14, 2019. The extension was issued pending approval of Jobin's dedicated point to point limited facilities to connect to the transmission system. On December 11, 2018, the ERC authorized JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW JSI 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 January 15, 2019, the ERC issued a Certificate of Compliance (COC No. 19-01-M-00168L) to Jobin which will be valid for a period of five (5) years from November 16, 2016 to November 15, 2021.

JSI has fine-tuned its operations and maintenance, keeping a lean operations and maintenance (O&M) team that is performing at and above solar energy industry standards. The O&M team also uses expert contractors for regular and annual maintenance programs for the high-voltage transmission line and assets and the medium-voltage assets. With its

infrastructure (i.e. transmission, substations, roads, warehouse, site office, etc.) in place, JSI can scale up on a plug-and-play basis. With only minor works, such as laying down an additional transmission cable and construction of an additional transformer bay, JSI's entire 800-hectare facility can easily accommodate at least 200MW of capacity that can be evacuated to the grid. JSI has no interconnection congestion issues, as it is the only renewable energy facility that is connected to the main Philippine Grid via a 230kV transmission line. JSI has been selling its electricity output to retail electricity suppliers and the Wholesale Electricity Spot Market (WESM).

In the second quarter of 2020, JSI commenced the construction of Phase III-A of the Solar Project for an additional capacity of 30MW. Phase III-A became operational on April 9, 2021. Phase III-B of 38MW capacity is planned for construction starting third quarter of 2021 and is targeted to become operational by mid-2022.

With respect to the Biliran geothermal project, where five (5) wells have been drilled by EPI's 40% partner, Biliran Geothermal Holdings, Inc., fluid management studies have been completed on one particular well, with positive results with respect to acid control. In 2020, BGI entered into a framework agreement with Symba Renewable Energy EHF, a geothermal technology company based in Iceland, to construct and commission up to 8MW capacity as part of BGI's plan for a phased development of the geothermal power project.

BGI successfully split its existing Geothermal Renewable Energy Service Contract (GRESK) into two (2) in 2017. Where said GRESK previously almost covered the entire island province of Biliran, the new setup delineates the southern portion as Biliran 1 and the northern portion as Biliran 2. Biliran 1 covers the existing developed infrastructure (i.e., four (4) well pads, eight (8) standard deep wells, roads, etc.) and has a Probability-90 Assessment that confirms a 100MW capacity. Biliran 2 is the yet-to-be-developed area save for surface studies and a Probability-50 Assessment of some 170MW capacity. This delineation allows BGI to focus on the more immediately executable Biliran 1 and gives BGI more time to develop Biliran 2. For 2020, Biliran 1 continued its facility maintenance while making plans for a phased power generation development.

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

In 2020, MGPC decided to conduct an assessment of the best technique to flow the two (2) geothermal wells. As part of the well testing program submitted by MGPC to DOE, downhole measurements will be conducted to confirm the temperature and the suitability of the wells for flow testing. Thereafter, the company will implement the flow test to update the resource assessment and plan the development drilling.

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

Fundamental to the way NAC does business as a responsible corporate citizen is its commitment to operate in a sustainable manner, protecting the environment, nurturing active

communities and ensuring the safety and well-being of everyone involved in its operations. For this, the Group has been consistently recognized by the Government, the industry and by other award-giving bodies.

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

## V. The Market Price and Dividends

### Market Information

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

	High	Low
<b>2018</b>		
1 <sup>st</sup> Quarter	₱3.83	₱3.27
2 <sup>nd</sup> Quarter	₱3.44	₱2.53
3 <sup>rd</sup> Quarter	₱3.06	₱2.33
4 <sup>th</sup> Quarter	₱2.80	₱1.94
<b>2019</b>		
1 <sup>st</sup> Quarter	₱2.88	₱2.22
2 <sup>nd</sup> Quarter	₱2.58	₱2.09
3 <sup>rd</sup> Quarter	₱4.90	₱2.16
4 <sup>th</sup> Quarter	₱4.19	₱2.89
<b>2020</b>		
1 <sup>st</sup> Quarter	₱3.21	₱1.36
2 <sup>nd</sup> Quarter	₱1.95	₱1.36
3 <sup>rd</sup> Quarter	₱3.36	₱1.70
4 <sup>th</sup> Quarter	₱5.60	₱2.98
<b>2021</b>		
1 <sup>st</sup> Quarter	₱6.32	₱4.70

The Company's stocks share price was at ₱5.00 per share as of March 31, 2021.

### Holdings

The top 20 stockholders of the Company as of March 31, 2021 are:

STOCKHOLDER'S NAME	NUMBER OF SHARES	% OF OWNERSHIP
PCD Nominee Corporation (Filipino)	7,364,455,377	54.03%
Sumitomo Metal Mining Philippine Holdings Corporation	2,600,384,267	19.08%
PCD Nominee Corporation (Non-Filipino)	2,286,383,335	16.77%
Nonillion Holding Corp.	1,296,000,000	09.51%
Gerard H. Brimo	26,641,344	00.20%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	20,880,000	00.15%
Sze Kou For or Sze Wing Wah Eric	12,000,000	00.09%
Ricardo Sy Po or Angelita Tan Po or Leonardo Arthur Tan Po	8,508,377	00.06%
Philip T. Ang	2,910,103	00.02%
Ronaldo B. Zamora	2,340,403	00.02%



STOCKHOLDER'S NAME	NUMBER OF SHARES	% OF OWNERSHIP
Megastar Real Estate Corporaon	2,340,000	00.02%
Koh Teng Ong Chong	1,967,040	00.01%
Rolando R. Cruz	1,106,914	00.01%
Eva Policar-Bautista	658,123	00.00%
Jose B. Anievas	573,750	00.00%
Steven Ivan Lim Yu	523,530	00.00%
Josephine Chua Lim	457,200	00.00%
RMJ Development Corporation	405,000	00.00%
Ludwig Henrich Alfred Maulbecker	350,000	00.00%
Willy O. Dizon or Nene C. Dizon	270,000	00.00%

As of March 31, 2021, the Company has ninety (90) stockholders.

### Dividends

The following tables show the dividends declared and paid to common shareholders for the years ended December 31, 2020, 2019 and 2018:

#### **Cash Dividends**

<u>Year</u>	<u>Date</u>			<u>Per Share</u>		<u>Total Declared (in millions)</u>
	<u>Declared</u>	<u>Record</u>	<u>Payable</u>	<u>Before the Stock Dividends</u>	<u>After the Stock Dividends</u>	
2020	August 7, 2020	August 24, 2020	September 4, 2020	P0.22		P2,998.8
2020	March 13, 2020	March 27, 2020	April 8, 2020	0.08		1,090.6
2019	March 14, 2019	March 28, 2019	April 12, 2019	0.07		957.2
2018	August 28, 2018	September 11, 2018	September 27, 2018	0.30	0.17	2,280.9
2018	March 14, 2018	March 28, 2018	April 10, 2018	0.12	0.07	912.4
2017	March 15, 2017	March 29, 2017	April 11, 2017	0.08	0.04	608.2

#### **Stock Dividends**

<u>Year</u>	<u>Date</u>			<u>%</u>	<u>No. of Shares (in millions)</u>	<u>Total Declared (in millions)</u>
	<u>Approved</u>	<u>Record</u>	<u>Issued</u>			
2018	October 9, 2018	October 23, 2018	November 20, 2018	80	7,602.9	P3,041.2

NAC declares dividends to shareholders of record, which are paid from its unrestricted retained earnings. The Company's dividend policy entitles holders of shares to receive annual cash dividends of up to 30% of the prior year's recurring attributable net income based on the recommendation of its Board of Directors (BOD or Board). Such recommendation will take into consideration factors such as dividend income from subsidiaries, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others. Although the cash dividend policy may be changed by the BOD at any time, the Company's current intention is to pay holders of its shares annual cash dividends at this ratio. Additionally, in the event that new investments,

acquisitions or other capital expenditure plans do not materialize, the BOD plans to review the dividend policy and consider increasing the dividend ratio above 30% of the prior year's recurring net income.

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

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

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

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

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

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

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

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

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

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

### **Board of Directors**

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

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

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

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

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

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

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

### **Board Attendance, Appraisal and Training**

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



	Name	Date of Election	No. of Meetings Held during this year	No. of Meetings Attended During Incumbency as Director	%	Directorship in Other Publicly Listed Companies
Chairman	Gerard H. Brimo	17 July 2020	6	6	100%	Security Bank Corporation
Vice Chairman	Philip T. Ang	17 July 2020	6	6	100%	Security Bank Corporation
Independent Director	Frederick Y. Dy	17 July 2020	6	6	100%	Security Bank Corporation
Independent Director	Fulgencio S. Factoran, Jr.*	20 May 2019*	6	1*	100%**	Atlas Consolidated Mining and Development Corporation
Independent Director	Angelo Raymundo Q. Valencia**	08 May 2020, re-elected on 17 July 2020	6	3**	100%**	None
Member	Martin Antonio G. Zamora	17 July 2020	6	6	100%	None
Member	Luis J. L. Virata	28 May 2018	6	6	100%	Benguet Corporation
Member	Maria Patricia Z. Riingen	20 May 2019	6	6	100%	None
Member	Toru Higo***	20 May 2019	6	3***	100%***	None
Member	Masahiro Kamiya	17 July 2020	6	6	100%	None
Member	Hiroshi Yoshida****	17 July 2020	6	3****	100%****	None

\*Mr. Factoran served as Independent Director until his demise on 5 April 2020.

\*\*Mr. Valencia was elected as a member of the Board of Directors on 08 May 2020 to serve the unexpired term of Mr. Factoran, and was re-elected on 17 July 2020.

\*\*\*Mr. Higo was a member of the Board of Directors until his term expired on 17 July 2020.

\*\*\*\*Mr. Yoshida was first elected as a member of the Board of Directors on 17 July 2020.

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

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



## **Shareholders' Rights**

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

## **Shareholders' Meeting**

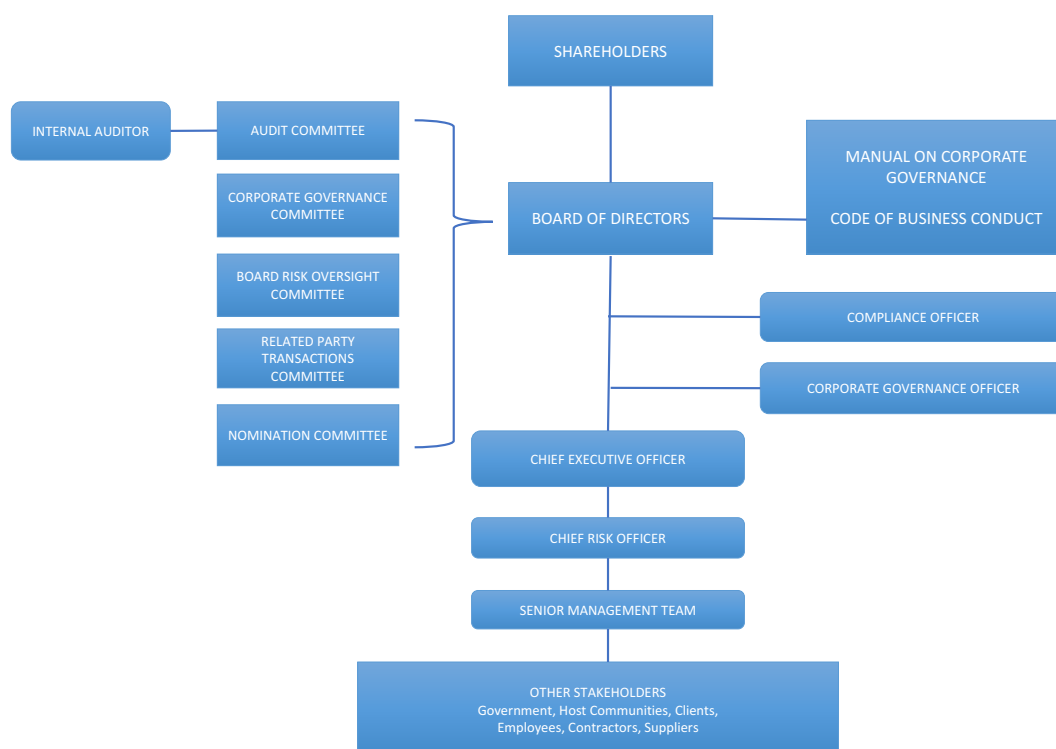
During the annual meeting, all shareholders are given the opportunity to exercise their right to elect Directors, to replace and remove Directors, to approve certain corporate acts in accordance with the Corporation Code. The annual meeting also serves as a venue for all shareholders to be updated on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

## **Notice and Procedures**

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

In 2020, in view of the Covid-19 pandemic, the SEC issued on 20 April 2020 a Notice entitled "Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in Connection with the Holding of Annual Stockholders' Meeting for 2020" that allowed publicly-companies to publish the Notice of Annual Stockholders' Meeting, Information Statement, Management Report, Audited Financial Statements, Annual Report on SEC Form 17-A and Quarterly Report on SEC Form 17-Q on their company websites and through PSE EDGE at least 21 days before the date of the annual stockholders' meeting. The Company published its Notice of Annual Stockholders' Meeting Information Statement, Management Report, Audited Financial Statement, Annual Report on SEC Form 17-A and Quarterly Report on SEC Form 17-Q 23 days before its Annual Stockholders' Meeting on 17 July 2020.

## CORPORATE GOVERNANCE STRUCTURE



## BOARD COMMITTEES

### Audit Committee

The Audit Committee is composed of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Messrs. Angelo Raymundo Q. Valencia (Independent Director) and Masahiro Kamiya as members. Mr. Valencia replaced the late Mr. Fulgencio S. Factoran, Jr. as member of the Committee on May 8, 2020. The Audit Committee reports to the Board and is required to meet at least once every three months.

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

The Board, upon the recommendation of the Audit Committee, appointed Patrick S. Garcia as the Company's Chief Audit Executive and Assistant Vice President for Internal Audit effective May 1, 2020.

The table below shows the attendance of the members of the Audit Committee at Committee meetings held in 2020:

	Name	Number of Meetings Held during this year	No. of Meetings Attended	Percentage of Attendance
Chairman	Frederick Y. Dy	4	4	100%
Member	Fulgencio S. Factoran, Jr.*	4	1*	100%*
Member	Angelo Raymundo Q. Valencia**	4	2**	100%**
Member	Masahiro Kamiya	4	4	100%

\*Mr. Factoran was a member of the Audit Committee until April 5, 2020.

\*\*Mr. Valencia was appointed as a member of the Audit Committee on May 8, 2020.

### Board Risk Oversight Committee

The Board Risk Oversight Committee is composed of Mr. Angelo Raymundo Q. Valencia, an Independent Director, as Chairman, and Messrs. Martin Antonio G. Zamora and Frederick Y. Dy (Independent Director) as members. On May 8, 2020, the Board appointed Mr. Angelo Raymundo Q. Valencia (Independent Director) as Chairman of the Committee vice the late Mr. Fulgencio S. Factoran, Jr.

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

The table below shows the attendance of the members of the Board Risk Oversight Committee during its meetings held in 2020:

	Name	Number of Meetings Held during this year	No. of Meetings Attended	Percentage of Attendance
Chairman*	Angelo Raymundo Q. Valencia*	4	2*	100%*
Chairman**	Fulgencio S. Factoran, Jr.**	4	1**	100%**
Member	Frederick Y. Dy	4	4	100%
Member	Martin Antonio G. Zamora	4	4	100%

\*Mr. Valencia was appointed as Chairman of the Board Risk Oversight Committee on May 8, 2020.

\*\*Mr. Factoran served as Chairman of the Board Risk Oversight Committee until April 5, 2020.

### Corporate Governance Committee

The Corporate Governance Committee is composed of Mr. Gerard H. Brimo as Chairman, and Messrs. Philip T. Ang and Frederick Y. Dy (Independent Director) as members.

The table below shows the attendance of the members at the Committee meetings held in 2020:

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

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

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

#### **Related Party Transactions Committee**

The Related Party Transactions Committee is composed of Mr. Masahiro Kamiya as Chairman and Messrs. Frederick Y. Dy (Independent Director) and Angelo Raymundo Q. Valencia (Independent Director) as members. Mr. Valencia replaced the late Mr. Fulgencio S. Factoran, Jr. as a member of the Committee on May 8, 2020.

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

The Committee held one meeting in March 2020 wherein Messrs. Kamiya, Factoran, and Dy were all present.



## **Nominations Committee**

The Nominations Committee is composed of Mr. Martin Antonio G. Zamora as Chairman, and Messrs. Masahiro Kamiya and Angelo Raymundo Q. Valencia (Independent Director) as members. Mr. Valencia replaced the late Mr. Factoran as a member of the Committee on May 8, 2020.

The Committee held one meeting in May 2020, wherein Messrs. Zamora, Kamiya and Valencia were all present.

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

## **EXECUTIVE IMPLEMENTATION**

### **Chairman**

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

### **President and CEO**

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

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

The President and CEO, together with the Management, has the responsibility to provide the Board with a balanced, understandable and accurate account of the Company's performance,

financial condition, results of operations and prospects on a regular basis. The President also serves as the link between internal operations and external stakeholders.

### **Chief Risk Officer**

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

### **Chief Governance Officer**

Mr. Emmanuel L. Samson, was the Senior Vice President and Chief Financial Officer, and Chief Governance Officer of the Company until his retirement on 31 December 2020. Ms. Georgina Carolina Y. Martinez was appointed as Chief Governance Officer *vice* Mr. Samson effective January 1, 2021. The Chief Governance Officer is tasked with ensuring that corporate governance policies are disseminated, adopted throughout the organization and become an integral part of the Company's culture. In addition, she also ensures that the necessary systems are in place to monitor compliance.

### **Chief Compliance Officer**

Ms. Martinez, Senior Vice President, Head of the Compliance and Corporate Support Services Group, and Chief Governance Officer, also serves as Chief Compliance Officer of the Company. She ensures the Company's strict adherence to all laws, regulations, guidelines and specifications relevant to the business.

## **Corporate Secretary**

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

## **AUDITORS**

### **Chief Audit Executive**

Mr. Patrick S. Garcia is the Company's Chief Audit Executive since May 1, 2020. He took over Ms. Maria Angela G. Villamor who was appointed as Vice President-Group Finance Controller effective May 1, 2020, and later appointed as Senior Vice President, Chief Financial Officer and Head of Finance and Revenue Management Group effective January 1, 2021. The Chief Audit Executive is primarily tasked with evaluating the adequacy and effectiveness of the Company's governance and operations, the reliability and integrity of financial information, the safeguarding of assets, and compliance with laws, rules and regulations.

### **External Auditor**

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

## **INVESTOR RELATIONS PROGRAM**

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

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

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

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) SS.

**CERTIFICATION**

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


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

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 26<sup>th</sup> day of April 2021, affiant exhibiting to me her Community Tax Certificate No. 26662699 issued on 4 January 2021 at Makati City, and her Passport No. P7148981A issued on 11 May 2018 at DFA NCR South, expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

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Page No.: 92  
Book No.: 11  
Series of 2021

02541 NAC 2021 Sec Cert-Certification non-gov /wam27

  
**SAMANTHA LOUISE B. BUGAY**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-561 (2019-2020)  
COMMISSION EXPIRES ON DECEMBER 31 2020  
EXTENDED UNTIL JUNE 30, 2021 PER B.M No 3795  
7<sup>th</sup> Floor, The PHINMA Plaza 39 Plaza Drive  
Rockwell Center Makati City 1210  
PTR No 8530258: Makati City, 1/4/2021  
IBP O.R. No 137577 Makati City, 1/4/2021  
TIN 355-207-180  
Attorney's Roll No. 73688  
Admitted to the Philippine Bar 20 June 2019



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

**UNDERTAKING**

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino, with office address at 7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, being the duly elected and incumbent Corporate Secretary of **NICKEL ASIA CORPORATION**, a corporation duly organized and existing under Philippine law, with office address at 28<sup>th</sup> Floor, NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila (the "Company"), do hereby undertake to do the following:


1. Upload a copy of the Company's Interim Unaudited Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations or SEC Form 17-Q as of 30 March 2021 (the "First Quarter 17-Q") to the Company's website at least five (5) days before the 2021 Annual General Stockholder's Meeting to be held on 04 June 2021 (the "2021 AGM");
2. Provide copies of the First Quarter 17-Q, free of charge, to the Company's stockholders upon written request of said stockholders; and
3. Publish in two (2) newspapers of general circulation, at least five (5) days before the 2021 AGM, a notice to the Company's stockholders that the First Quarter 17-Q is available on the Company's website and copies will be provided upon written request of the Company's stockholders.

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

**SUBSCRIBED AND SWORN** to before me this 26<sup>th</sup> day of April 2021, affiant exhibiting to me her Community Tax Certificate No. 26662699 issued on 4 January 2021 at Makati City, and her Passport No. P7148981A issued on 11 May 2018 at DFA NCR South, expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 457  
Page No.: 92  
Book No.: IV  
Series of 2021

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**SAMANTHA LOUISE B. BUGAY**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-561/2019-2020  
COMMISSION EXPIRES ON DECEMBER 31 2020  
EXTENDED UNTIL JUNE 30, 2021 PER B.M. No. 3795  
7<sup>th</sup> Floor The PHINMA Plaza 39 Plaza Drive  
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IBP O.R. No. 137577 Makati City, 1/4/2021  
TIN 355-207-180  
Attorney's Roll No. 73688  
Admitted to the Philippine Bar 20 June 2019



S.E.C. Number CS200811530

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

**NICKEL ASIA CORPORATION**

(Company's Full Name)

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

(Company's Address)

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

(Telephone Numbers)

**December 31**

(Fiscal Year Ending)

(month & day)

**SEC FORM 17-A Annual Report**

Form Type

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

**December 31, 2020**

Period Ended Date

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: DECEMBER 31, 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 Postal Code  
28th Floor NAC Tower, 32nd Street, 1634  
Bonifacio Global City, Taguig City
8. Issuer's telephone number, including area code: +63 2 8892 6669 / +63 2 7798 7622
9. Former name, former address, and former fiscal year, if changed since last report.  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock</b>	<b>13,630,850,117 shares</b>
<b>Long-term Debts</b>	<b>₱2,470.1 Million</b>

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

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

PHILIPPINE STOCK EXCHANGE Common Stock

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]

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

As at December 31, 2020, 4,575,060,169 shares with a market price of ₱5.60 or an aggregate amount of ₱25,620,336,946 were held by non-affiliates.





April 14, 2021

**Ms. Janet A. Encarnacion**

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

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

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

RE : 2020 SEC Form 17-A Annual Report

X ===== X

Gentlemen:

In accordance with the Securities Regulation Code, we are submitting herewith a copy of our Company's SEC Form 17-A Annual Report as at and for the year ended December 31, 2020.

We trust everything is in order.

Very truly yours,

**Maria Angela G. Villamor**  
SVP - Chief Financial Officer



**NICKEL ASIA CORPORATION  
17-A ANNUAL REPORT 2020**

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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. BUSINESS

#### A. OVERVIEW

Nickel Asia Corporation (the “Company”, “Parent Company”, the “Group” or “NAC”) was incorporated on July 24, 2008 with the Philippine Securities and Exchange Commission (SEC) and was listed with the Philippine Stock Exchange on November 22, 2010.

The Group has four operating mines operated by its subsidiaries: the Rio Tuba mine in Bataraza, Palawan operated by Rio Tuba Nickel Mining Corporation (RTN); the Taganito mine in Claver, Surigao Del Norte operated by Taganito Mining Corporation (TMC); the Tagana-an mine in Tagana-an, Surigao Del operated by Hinatuan Mining Corporation (HMC); and the Cagdianao mine in Cagdianao, Dinagat Islands operated by Cagdianao Mining Corporation (CMC).

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

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

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

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

In August 2015, NAC also concluded the purchase of 100% equity interest in Dinapigue Mining Corporation (DMC), which is the claim owner of the Isabela Nickel Project in Dinapigue, Isabela.

NAC also moved into the area of renewable energy and power generation. In 2018, it completed the construction of a 10 megawatt (MW) diesel power plant at a cost close to ₱900.0 million. Power is currently being sold to the Surigao del Norte Electric Cooperative, Inc. (SURNECO) under a Power Supply Agreement (PSA). The diesel power plant, which commenced operations in 2018, is designed to alleviate the shortage of power particularly in Surigao City.

NAC's entry into the renewable power business was formalized in 2015 with the conversion of a ₱446.0 million loan to equity and an additional equity infusion of ₱474.0 million, which corresponds to an equity ownership in Emerging Power, Inc. (EPI) of 66%. In 2016, NAC subscribed to additional common shares of EPI for ₱660.0 million and this increased NAC's equity interest in EPI to 70.92%. As at December 31, 2020, NAC's equity interest in EPI stood at 86.29% as a result of fresh equity infusion of ₱1.5 billion in September 2017.

EPI's mission is to engage in power generation exclusively from renewable sources. As of December 31, 2020, EPI has a number of Renewable Energy Service Contracts signed with the Department of Energy (DOE), i.e., a 100MW solar service contract under Jobin-SQM Inc. (JSI), located in the Subic Bay Freeport Zone; two (2) geothermal service contracts under Biliran Geothermal Incorporated (BGI), in the province of Biliran, Leyte; and a geothermal service contract under Mindoro Geothermal Power Corporation (MGPC) in Naujan, Oriental Mindoro. In 2020, JSI applied for a second 100MW solar service contract also located at the Subic Bay Freeport Zone. The new service contract of JSI was awarded on February 3, 2021.

JSI completed testing and commissioning of 32MW of solar power, comprising Phases I and II of the Sta. Rita Solar Power Project (Solar Project) in 2017. In 2018, the Energy Regulatory Commission (ERC) extended the effectivity of JSI's Provisional Authority to Operate the 32MW solar plant until May 14, 2019. The extension was issued pending approval of JSI's dedicated point to point limited facilities to connect to the transmission system. On December 11, 2018, the ERC authorized JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW JSI 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 January 15, 2019, the ERC issued a Certificate of Compliance to JSI which will be valid for a period of five (5) years from November 16, 2016 to November 15, 2021.

JSI has fine-tuned its operations and maintenance, keeping a lean operations and maintenance (O&M) team that is performing at and above solar energy industry standards. The O&M team also uses expert contractors for regular and annual maintenance programs for the high-voltage transmission line and assets and the medium-voltage assets. With its infrastructure (i.e. transmission, substations, roads, warehouse, site office, etc.) in place, JSI can scale up on a plug-and-play basis. With only minor works, such as laying down an additional transmission cable and construction of an additional transformer bay, JSI's entire 800-hectare facility can easily accommodate at least 200MW of capacity that can be evacuated to the grid. JSI has no interconnection congestion issues, as it is the only renewable energy facility that is connected to the main Philippine Grid via a 230kV transmission line. JSI has been selling its electricity output to retail electricity suppliers and the Wholesale Electricity Spot Market (WESM).

In the second quarter of 2020, JSI commenced the construction of Phase III-A of the Solar Project for an additional capacity of 30MW. Phase III-A become operational on April 9, 2021. Phase III-B of 38MW capacity is planned for construction starting third quarter of 2021 and is targeted to become operational by mid-2022.

With respect to Biliran geothermal project, where five (5) wells have been drilled by EPI's 40% partner, Biliran Geothermal Holdings, Inc., fluid management studies have been completed on one particular well, with positive results with respect to acid control. In 2020, BGI entered into a framework agreement with Symba Renewable Energy EHF, a geothermal technology company based in Iceland, to construct and commission up to 8MW capacity as part of BGI's plan for a phased development of the geothermal power project.

BGI successfully split its existing Geothermal Renewable Energy Service Contract (GRESK) into two (2) in 2017. Where said GRESK previously almost covered the entire island province of Biliran, the new setup

delineates the southern portion as Biliran 1 and the northern portion as Biliran 2. Biliran 1 covers the existing developed infrastructure (i.e., four (4) well pads, eight (8) standard deep wells, roads, etc.) and has a Probability-90 Assessment that confirms a 100MW capacity. Biliran 2 is the yet-to-be-developed area save for surface studies and a Probability-50 Assessment of some 170MW capacity. This delineation allows BGI to focus on the more immediately executable Biliran 1 and gives BGI more time to develop Biliran 2. For 2020, Biliran 1 continued its facility maintenance while making plans for a phased power generation development.

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

In 2020, MGPC decided to conduct an assessment of the best technique to flow the two (2) geothermal wells. As part of the well testing program submitted by MGPC to DOE, downhole measurements will be conducted to confirm the temperature and the suitability of the wells for flow testing. Thereafter, the company will implement the flow test to update the resource assessment and plan the development drilling.

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

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

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

## **B. CORPORATE OBJECTIVE**

NAC is focused on growth. At the same time, the Company takes its responsibilities toward safety, environmental protection, community relations and development seriously. The Company believes that sustainable development is the only way forward for any mining operation and it exerts great effort to live by its principles. NAC is committed to responsible mining and to running every facet of its operations in a world-class manner.

The Group is also committed to provide the present and future generations a better life with clean and renewable energy which is cost effective, reliable, sustainable, and environmentally friendly.

### C. PRODUCT MIX

NAC produces two (2) types of nickel ore, namely saprolite and limonite. Saprolite ore is nickel ore with iron content of less than 20% and limonite ore is nickel ore with iron content of 20% or higher.



The Group ships out two (2) types of saprolite ore: high-grade and midgrade. High-grade saprolite has a nickel content of about 1.7% and above while mid-grade saprolite ore has a nickel content of between 1.3% to 1.6%.

Most of the Group's high-grade saprolite ore are sold to Pacific Metals Co., Ltd. (PAMCO), which uses the material as feed for its ferronickel smelters. The Company's mid-grade saprolite ore are sold to Japanese and Chinese clients. Its Chinese clients use the material as feed for electric furnaces for the production of high and medium-grade NPI.

NAC sells two (2) types of limonite ore: high-iron and low-grade. High iron limonite ore has a nickel content of less than 1% and an iron content of 48% to 50%. Low-grade limonite ore has a nickel content of 1% to 1.2% and an iron content of at least 30%.

The Company's high-iron limonite ore are sold to Chinese customers who use the material as feed for blast furnaces for the production of low-grade NPI. Finally, low-grade limonite ore from Taganito and Rio Tuba are utilized as feed for the Taganito and Coral Bay HPAL plants, respectively.

### D. SUBSIDIARIES

The Parent Company and its subsidiaries were separately incorporated and registered with the SEC. Below are the Parent Company's ownership interests in its subsidiaries:

	Effective Ownership	
	2020	2019
<i>Subsidiaries</i>		
Hinatuan Mining Corporation	100.00%	100.00%
Cagdianao Mining Corporation	100.00%	100.00%
La Costa Shipping and Lighterage Corporation (LCSLC) <sup>(a)</sup>	100.00%	100.00%
Dinapigue Mining Corporation	100.00%	100.00%
Samar Nickel Mining Resources Corporation (SNMRC)	100.00%	100.00%
Coral Pearl Developments Limited (CPDL) <sup>(b)</sup>	100.00%	100.00%
CDTN Services Company Inc. (CDTN) <sup>(c)</sup>	100.00%	—
Falck Exp Inc. (FEI) <sup>(d)</sup>	88.00%	88.00%



	Effective Ownership	
	2020	2019
Cordillera Exploration Co., Inc.	<b>71.25%</b>	71.25%
Newminco Pacific Mining Corporation <sup>(e)</sup>	<b>71.25%</b>	71.25%
Taganito Mining Corporation	<b>65.00%</b>	65.00%
Rio Tuba Nickel Mining Corporation	<b>60.00%</b>	60.00%
Emerging Power, Inc.	<b>86.29%</b>	86.29%
Mindoro Geothermal Power Corporation <sup>(f)</sup>	<b>86.29%</b>	86.29%
Biliran Holdings Inc. (BHI) <sup>(f)</sup>	<b>86.29%</b>	86.29%
Northern Palawan Power Generation Corporation (NPPGC) <sup>(f)</sup>	<b>86.29%</b>	86.29%
Jobin-SQM Inc. <sup>(f)</sup>	<b>77.66%</b>	86.29%
Biliran Geothermal Incorporated <sup>(f)</sup>	<b>51.77%</b>	51.77%

*(a) Indirect ownership through HMC*

*(b) Incorporated in British Virgin Islands (BVI) on June 18, 2019*

*(c) Incorporated on December 21, 2020*

*(d) Indirect ownership through HMC, CMC and TMC*

*(e) Indirect ownership through CExCI*

*(f) Indirect ownership through EPI*

#### Hinatuan Mining Corporation

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

#### Cagdianao Mining Corporation

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

#### La Costa Shipping and Lighterage Corporation

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

#### Dinapigue Mining Corporation

DMC was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits. DMC was acquired by the Parent Company in August 2015. On March 5, 2018, the SEC approved the change in its corporate name to Dinapigue Mining Corporation. DMC has not yet started commercial operations and is currently under development stage.

#### Samar Nickel Mining Resources Corporation

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

#### Coral Pearl Developments Limited

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

#### CDTN Services Company Inc.

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

Falck Exp Inc.

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

Cordillera Exploration Co., Inc.

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

Newminco Pacific Mining Corporation

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

Taganito Mining Corporation

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

Rio Tuba Nickel Mining Corporation

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

Emerging Power Inc.

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

Mindoro Geothermal Power Corporation

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

Biliran Holdings Inc.

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

Northern Palawan Power Generation Corporation

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

Jobin-SQM Inc.

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

### Biliran Geothermal Incorporated

BGI was incorporated on October 31, 2007. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI was acquired by BHI in December 2015. In 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the DOE.

## **E. RECENT DEVELOPMENTS**

- On December 21, 2020, CDTN was incorporated to handle the general construction and materials handling services of the Group.
- EPI sold its 10% equity ownership in JSI to TBEA International Engineering Co., Ltd. (TBEA), which led to the reduction in the Parent Company's effective ownership in JSI to 77.66%.
- NAC and EPI entered into a Debt-Equity Swap Agreement wherein EPI will convey by way of dation in payment all of its rights and interests in 647,386,140 common shares of JSI as payment of its existing indebtedness to NAC to the extent of P500.0 million. This will increase NAC's effective ownership to JSI to 84.80% (direct ownership of 38% and indirect ownership through EPI of 46.80%).

## **F. OUR STRATEGY**

NAC'S strategy is designed to maximize the profitability of its existing base of operations while driving growth through its continuing involvement in downstream processing, exploration of its portfolio of properties, acquisition of new properties and growth of its renewable business. The key elements of its strategy are to:

- 1) Pursue its brownfield and greenfield exploration programs to upgrade existing resources, and develop new reserves and resources – The Company has an extensive exploration program involving both brownfield exploration, which consists of work at its existing operations to extend resources and to upgrade resources to reserves; and greenfield exploration, which involves exploring and delineating nickel lateritic deposits in its existing exploration properties. The Company owns approximately 100 man-portable drilling rigs that are suitable for drilling lateritic deposits in an economic manner.
- 2) Acquire new properties or enter into operating agreements or joint ventures – NAC believes that there is significant exploration potential in the Philippines for lateritic nickel deposits, and it intends to seek opportunities to increase its reserves of saprolite and limonite ore. Most prospective areas in the country are already subject to registered mineral claims; hence, the Company intends to access new exploration properties by acquiring rights from, or entering into joint ventures with, the applicable claim owners. In doing so, the Company will carefully evaluate such properties to ensure that the commitments that it will assume will commensurate to the potential of the properties it will acquire. In 2015, the Parent Company acquired the 100% equity interest of DMC, the claimowner of Isabela Nickel Project.
- 3) Continue with gold and copper prospects - The Philippines is well-endowed not only with lateritic nickel but also with gold and copper. World-class deposits have been discovered and substantial quantities of these metals have been mined in the past. The Company believes that the exploration potential nevertheless remains significant. In order to take advantage of this potential, the Company purchased CExCI from a subsidiary of Anglo American. CExCI has four (4) groups of mineral claims in northern Luzon that are prospective for gold and copper mineralization. Two (2) of these four (4) claims are located at Mankayan and the remaining two (2) claims are located at Manmanok property and Kutop. In April 2019, CExCI acquired from Marian and Olympus these companies' rights under APSA No. 000021-II pertaining to 6,325 hectares located in the provinces of Isabela and Nueva Vizcaya. In July 2019, CExCI filed an application for the conversion of APSA No. 000021-II into an EP. In January 2020, the MGB Region 2 office approved the conversion of APSA No. 000021-II into an EP in favor of CExCI. CExCI remains active in evaluating properties for possible acquisition. The Company believes

that its extensive local knowledge, the experience of a number of its managers and technical staff in these metals and the quality of these properties make this acquisition an important step in its strategy to evolve into a diversified mining group. In 2015, the Parent Company, through CExCI, acquired Newminco, which is also prospective for gold and copper. Newminco is the holder of an EP renewal application in the municipalities of Cabangan, San Felipe, and San Marcelino, Zambales.

- 4) *Grow its renewable business* – NAC's goal is to develop, own, and manage a portfolio of renewable power assets in the Philippines that is diversified as to market, technology and location. The Company believes that its entry into the power business through EPI, which will concentrate exclusively on renewable energy sources, will provide significant opportunities to grow its revenues and sustain financial returns. At the same time, this activity will help alleviate the shortage of power in the country and contribute to economic growth in an environmentally friendly manner.

## G. KEY STRENGTH

The Company believes in its key strength, which is:

### ***Profitability underpinned by low cost production.***

The foundation of the Company's business is its ability to operate profitably through the commodity price cycle because of its low costs. The Company ranks favorably in terms of mining costs when compared to other nickel mining companies. There are a number of factors that account for its low cost position:

- The Company benefits from favorable geologic conditions at all of its four (4) operating mines. Its lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally five (5) to thirty (30) meters thick, enabling it to conduct simple contour mining using trucks and loaders without blasting, the use of chemicals or complex waste handling.
- Historically, there was generally no market for the Company's limonite ore, which needs to first be extracted in order to mine the more valuable saprolite ore. There was also no market for lower grades of saprolite ore. Limonite ore was then regarded as overburden and placed in stockpiles, while the Company undertook selective mining of high-grade saprolite ore, leading to relatively high mining costs. Since 2005, the Company has found customers for its limonite ore with the development of the China NPI market and the commissioning of the Coral Bay HPAL facility. In 2008, the Company experienced increasing demand from its customers for low-grade saprolite ore and in 2010, it saw an emerging demand for the use of low-nickel, high iron limonite ore for blending with iron ore in the production of carbon steel. The Company's ability to sell limonite ore rather than place it in stockpiles as waste, and its ability to sell lower grades of saprolite ore allows it to mine in a more efficient manner and reduces the unit cost per wet metric tonnes (WMT) of nickel ore that it mine, thus improving its profitability. The commencement of commercial operations of the Taganito HPAL facility in 2013 adds an additional outlet for the Company's limonite ore.
- On average, the nickel deposits at the Company's four (4) operating mines are located within three (3) to seven (7) kilometers from the applicable tidewater loading area, enabling easy hauling and transportation by barges and LCTs to customers' ships. The Company owns nine (9) LCTs and eleven (11) barges and leases additional barges and LCTs as needed. The short hauling distance from its mining operations to its loading facilities substantially contributes to the Company's favorable cost position.
- Because its lateritic nickel deposits are near surface and relatively shallow, the rehabilitation of its mining areas is a straightforward process. The process generally involves re-contouring of the mined areas, replacing the overburden and planting foliage. The Company undertakes progressive rehabilitation of its mined areas in order to spread costs, and the nature of its deposits results in a relatively manageable level of rehabilitation costs.



## H. PERCENTAGES OF REVENUES FOR 3 YEARS

The following table summarizes percentages of NAC's revenues by year and region for the past three fiscal years:

Year	Japan			China			Philippines (CBNC and THNC)			Total		
	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total
2020	4%	-	4%	75%	4%	79%	-	17%	17%	79%	21%	100%
2019	11%	-	11%	59%	8%	67%	-	22%	22%	70%	30%	100%
2018	13%	-	13%	59%	4%	63%	-	24%	24%	72%	28%	100%

## I. SOURCES OF RAW MATERIALS AND SUPPLIES

The main supplies that the Company requires to operate its business include diesel fuel, tires and spare parts for its mining equipment. The Company buys diesel and aviation fuel and lubricants from Petron Corporation (Petron) and/or Phoenix Petroleum Philippines, Inc. (Phoenix) and heavy mining equipment, such as trucks and excavators, from four (4) manufacturers, namely, Volvo, Isuzu, Caterpillar and Komatsu, through their Philippine distributors. In addition, the Company leases LCTs for use at its mine sites during the shipping season. The Company believes that there are a number of alternative suppliers for all of its requirements.

The Company's existing supply contract with Petron and/or Phoenix provides that they will supply the entire actual requirement of the operating companies of the group for diesel and lubricants of highest quality and based on the typical properties agreed in the contract.

NAC's subsidiary, JSI, harnesses the sun for its solar energy power generation. For its operations and maintenance, JSI buys spare parts from local and imported manufacturers and buys fuel from a gas station inside Subic Bay Freeport Zone for its vehicles and standby genset.

## J. GOVERNMENT REGULATIONS AND APPROVALS

In the Group's mining operations, it is guided by clear and stringent parameters set forth by the country's national and local laws accordingly implemented by national, regional and local agencies, namely: the Department of Environment and Natural Resources (DENR), the MGB, the Environment Management Bureau (EMB), the Protected Areas and Wildlife Bureau, and the local government units (LGUs).

The more significant regulations affecting our operations include the following:

### Republic Act (RA) No. 7942 (Philippine Mining Act of 1995)

- Section 57 - requires the mining contractor to assist in the development of its mining community, promote the general welfare of the community's inhabitants, and the development of science and mining technology; Section 136 of the Implementing Rules and Regulations of RA No. 7942 requires mining contractors to prepare and implement a five (5)-year Social Development and Management Program (SDMP) in consultation and in partnership with the mining contractor's host and neighboring communities
- Section 63 - requires strict compliance with all mines safety rules and regulations that may be promulgated by the DENR Secretary concerning the safe and sanitary upkeep of mining operations and achievement of waste-free and efficient mine development
- Section 69 - requires an annual Environmental Protection and Enhancement Plan (EPEP) for the rehabilitation, regeneration, revegetation, and reforestation of mineralized areas, slope stabilization of mined-out areas, aquaculture, watershed development and water conservation, and socioeconomic development
- Section 71 - requires mine rehabilitation for mined-out areas to the condition of environmental safety, and the creation of a Mine Rehabilitation Fund

Consolidated DENR Administrative Order (CDAO) 2010-21 (CDAO for Implementing Rules and Regulation of RA No. 7942)

- Section 171 - requires an Annual EPEP (based on the approved EPEP)
- Section 173 - requires the organization of a Mine Environmental Protection and Enhancement Officer to be incorporated into the organization structure
- Section 185 - deputizes the Multipartite Monitoring Team to serve as monitoring arm, with the team composed of representatives from DENR Regional Office, Department Regional Office, EMB Regional Office, Contractor/Permit Holder, affected community/ies, affected Indigenous Cultural Community/ies and environmental non-governmental organization (NGO)
- Section 187 - requires a Final Mine Rehabilitation/Decommissioning Plan, including financial requirements up to post-decommissioning

Executive Order (EO) No. 26 (National Greening Program) - mandatory reforestation activities outside of mining contract/permit/lease/tenement areas

RA 9003 (Ecological Solid Waste Management Program) - requires waste segregation, promotes recycling and sets guidelines for Materials Recovery Facility

RA 6969 and DAO 2013-22 - guidelines on proper handling and monitoring of toxic and hazardous waste material

RA 8749 (Philippine Clean Air Act of 1999) - framework for air quality management program

RA 9275 (Philippine Clean Water Act of 2004) - framework for comprehensive water quality management

RA 9371 (Indigenous Peoples' Rights Act) - recognition, protection and promotion of the rights of the Indigenous Cultural Communities/Indigenous Peoples

RA 9729 (Climate Change Act of 2009) - comprehensive framework for systematically integrating the concept of climate change, in synergy with disaster risk reduction, in various phases of policy formulation, development plans, poverty reduction strategies and other development tools and techniques

DAO 2004-52 - Tree cutting permit

DAO 2015-07 - mandating Mining Contractors to Secure ISO 14001 Certification

Pursuant to the Administrative Order, NAC's operating subsidiaries, TMC, RTN, CMC, and HMC, underwent a yearlong process to identify all environmental impacts, address such impacts, document an Environmental Management Systems (EMS) that complies with the standards, and cascade down the EMS to all employees for their full appreciation and compliance. Following two (2) audits conducted by the certifying body, TÜV Rheinland, the operating subsidiaries all received their ISO 14001 Certification in 2016.

DAO 2016-1 - prescribing for an audit of metallic mining companies by the DENR

All of the Group's mining companies also abide by commitments stipulated in their Environmental Compliance Certificate (ECC) and specified in their approved Contractor's Plan of Mining Operation.

DAO 2018-20 - prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines, provides for the limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. For mines which produce nine (9) million WMT per year, the maximum disturbed area shall be 100 hectares. For nickel mining projects with a processing plant or with long-term supply agreements for a processing plant, the maximum disturbed area for extraction shall be 162 hectares or two (2) meridional blocks. This DAO requires that temporary revegetation be immediately implemented on the disturbed areas. The Group is compliant with the maximum limits prescribed in this DAO.

### Electric Power Industry Reform Act (EPIRA)

This EPIRA of 2001 brought about the “Unbundling of the System”. Whereas previously, all aspects of the power industry were owned by the Philippine government under the National Power Corporation (NPC), the EPIRA brought about privatization of the generation, transmission, and distribution of electricity. NPC’s mandate was significantly reduced to providing electricity to more difficult to reach and off-grid areas of the country.

- The EPIRA sought to bring about:
  - Competitive Generation
  - Regulated Transmission and Distribution
  - Competitive Retail Electricity Providers
- The EPIRA established the WESM, unbundled the electricity tariff for greater transparency, and seeks to provide open access to transmission and distribution lines for all industry players.
- The EPIRA created the ERC as a purely independent regulatory body performing the combined quasi-judicial, quasi-legislative and administrative functions in the power industry. ERC is tasked to promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the power industry. In addition to its traditional rate and service regulation functions, ERC focuses on consumer education and protection, and promotion of the competitive operations in the power market.

### Renewable Energy (RE) Law

The RE Act of 2008 encompass policies that relate to renewable energy and legislative instruments that further encourage its growth - i.e. economic incentives.

- Section 13 states the government share in all renewable energy revenues: 1.5% for geothermal energy and 1% for the rest.
- Section 15 outlines the general incentives: Income Tax Holiday (7 years), Duty-free importation, Special Realty Tax Rates (1.5%), Corporate Tax Rate (10%), Accelerated Depreciation, Zero Percent Value Added Tax (VAT) Rate, Additional Cash Incentive for Off-grid Generation Facilities, etc.

### Pending Approval

TMC’s application for Mineral Production Sharing Agreements (MPSA) denominated as APSA No. 73-XIII for its La Salle Exploration project is pending reconsideration.

HMC’s application for renewal of MPSA No. 012-92-VIII for its Manicani Nickel Project in Guiuan, Eastern Samar is pending approval before the DENR.

CExCI’s application for renewal of EP No. 004-2006-CAR for the Manmanok property is pending approval by the DENR-MGB. Newminco’s application for renewal of EP No. 001-2015-III in Zambales, where exploration activities are on-going, was approved by the MGB on March 3, 2020.

In July 2019, CExCI has filed an application to convert APSA No. 000021-II that it acquired by assignment from Marian and Olympus in April 2019. In January 2020, the MGB Region 2 office approved CExCI’s application to convert APSA No. 000021-II into an application for EP. The said application for EP is pending with the MGB.

On February 10, 2020, JSI submitted a Letter of Intent to DOE to apply for a new Solar Energy Operating Contract with a capacity of 100MW to be located within the Mt. Sta. Rita Subic Bay Freeport Zone. DOE issued to JSI the Solar Energy Operating Contract (SEOC No. 2021-01-577) dated February 03, 2021 for the 100MW.

## **K. COMPETITION**

NAC competes with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers (primarily from Indonesia) in world nickel ore markets. Domestic competitors are CTP Construction & Mining, and Platinum Group Metals Corp (PGMC), while foreign competitors mainly include PT Aneka Tambang.

On the power business, the implementation of the EPIRA has paved the way for a more independent and market-driven Philippine power industry. This has allowed for competition, not limited by location, and driven by market forces. The sale of power and the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. However, as a registered renewable energy generating unit with intermittent renewable energy resources, JSI's solar power plant is considered "must dispatch" based on available energy and enjoys the benefit of priority dispatch to the grid and the WESM. The Company's power projects which are still either in the exploration or development stage will face competition in the development of new power generation facilities as well as in the financing for these activities.

## **L. NICKEL ORE TRADE AND OUTLOOK**

### **Nickel Ore Trade**

Nickel ore in the country is mainly exported to China and Japan. Primary nickel consumption in China was estimated at 1.34 million tonnes in 2020, which accounted for 56% of global nickel consumption, while 7% of the global nickel consumption can be attributed to Japan.

Nickel production in China in 2020 was estimated at 0.75 million tonnes, of which 0.51 million tonnes came from NPI. Based on the Company's research, nickel ore exported to China from Philippines is estimated at 41 million WMT in 2020 as compared to 40 million WMT in 2019.

Due to the implementation of Indonesia's ore export ban effective January 2020, China's demand for nickel ore from the Philippines increased as well as the price. Most of the mines in the Philippines experienced a reduction in shipment volume in April and May 2020 as a result of the lockdowns brought by the Corona Virus Disease (COVID)-19 pandemic, but despite of this and due to stringent measures and strict adherence to health protocols implemented by the mines, NAC achieved higher shipment volume compared to 2019.

### **Outlook for Nickel**

Global nickel supply in 2020 was estimated at 2.50 million tonnes, while consumption was at 2.39 million tonnes, resulting to 0.11 million tonnes of oversupply. The oversupply was brought by the global decrease in consumption due to COVID-19 pandemic.

Around 67% of nickel supply is used for stainless steel production. Therefore, the growth in stainless steel production is a key factor in the outlook for nickel. Global stainless steel production in 2020 was estimated at 50.5 million tonnes, decreased by 5.1% from the previous year, of which, Chinese stainless steel production accounted for 30.7 million tonnes, which is almost the same on a year-on-year basis.

Nickel demand for electric vehicles is expected to increase from the current level of about 100,000 to about 500,000 tonnes by 2025. This additional demand for nickel market also leads to higher expectations for nickel prices over the foreseeable future.

## **M. EXPLORATION AND DEVELOPMENT**

### **Nickel Resources**

NAC covers a wide area of exploration properties and an exploration program encompassing:

1. Brownfield exploration - consisting of work at its existing operations to extend resources and to upgrade resources to reserves; and
2. Greenfield exploration - which involves exploring and delineating nickel lateritic deposits in its existing properties.

The Company owns more than one hundred (100) drilling units that have been designed specifically for drilling near surface lateritic deposits in a quick and economical manner. It also has a pool of experienced geologists and laboratories at each mine site to assess samples as required.

Below is a summary of the Group's exploration and development properties:

<p><b>Bulanjao:</b></p> <ul style="list-style-type: none"> <li>Total area of 3,604.5 hectares</li> <li>Conducted step-out drilling throughout the length of the Central Bulanjao deposit</li> </ul>	<p>Location: <b>Palawan Island</b></p> <p>Ownership: <b>RTN</b></p>
<p><b>Manicani:</b></p> <ul style="list-style-type: none"> <li>MPSA covers 1,165 hectares and expires in 2017. Approval for the renewal of the MPSA is pending before the DENR.</li> </ul>	<p>Location: <b>Island of Manicani</b></p> <p>Ownership: <b>HMC</b></p>
<p><b>Kepha Mining Exploration Corp. (Kepha):</b></p> <ul style="list-style-type: none"> <li>Operating Agreement covers 6,980.75 hectares and expires in 2032</li> <li>Rights to the property are governed by an Operating Agreement entered into in February 2007 with Kepha</li> <li>On September 10, 2018, the MGB approved the renewal of the two (2) year EP for the Kepha Property</li> <li>Follow-up exploration work and drilling was conducted in early 2013</li> </ul>	<p>Location: <b>Surigao del Norte</b></p> <p>Operating Rights: <b>TMC</b></p>
<p><b>La Salle Mining Exploration Company (La Salle):</b></p> <ul style="list-style-type: none"> <li>Operating Agreement covers 6,824 hectares and expires in 2034. However, the MPSA area applied for has been reduced to 2,234.958 hectares</li> <li>Rights to the property are governed by an Operating Agreement entered into with La Salle in December 2006</li> <li>Found a nickel lateritic deposit on the southwestern portion of the property and intend to conduct further exploration work on this deposit</li> </ul>	<p>Location: <b>Surigao del Norte</b></p> <p>Operating Rights: <b>TMC</b></p>
<p><b>Dinapigue:</b></p> <ul style="list-style-type: none"> <li>Covered by MPSA No. 258-2007-II</li> </ul>	<p>Location: <b>Dinapigue, Isabel</b></p> <p>Ownership: <b>DMC</b></p>

*Description of Exploration and Development Projects*

**Bulanjao** - RTN recently acquired a separate ECC and amended ECC and amended MPSA to include AMA-IVB-144A, otherwise known as the Bulanjao claim, for a total accumulated area of 4,538.44 hectares. RTN's new MPSA is now denominated MPSA-114-98-IV-Amended I. As of December 31, 2020, drilling has resulted in measured and indicated mineral resources of 27 million WMT of limonite ore and 27 million WMT of saprolite ore with average nickel grades of 1.21% and 1.66%, respectively. Development in the new area will commence by first quarter of 2022.

**Manicani** - The Manicani property is held by HMC. It has a total area of 1,165 hectares and is situated in Guiuan, Eastern Samar. HMC's rights to the property are governed by a MPSA that was entered into by HMC in 1992 and which was subsequently assigned to SNMRC. The application for the Deed of Assignment from HMC to SNMRC was endorsed to the MGB Central Office for further evaluation and final approval.



However, on June 1, 2014, a mutual rescission of the said Deed of Assignment was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014.

HMC conducted mining at the Manicani site between 1992 and 1994 and extracted and sold a total of 63,176 WMT of saprolite ore with an average grade of 2.45% nickel from the site. Mining at the site was suspended in December 1994 because low prevailing nickel prices made mining the site uneconomical. HMC made shipments from stockpiles in 2001 and 2004. In 2004, a regional Panel of Arbitrators rendered a decision recommending the cancellation of the MPSA on the grounds that HMC had violated certain applicable environmental regulations. HMC disputed such allegations and its MPSA was upheld by the Mines Adjudication Board of the DENR in September 2009.

A Letter of Authority to Dispose Nickel Stockpile was issued by MGB on July 1, 2014. From May to August of 2016, five (5) shipments were realized for the disposal of said stockpiles, after which, shipments were suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

To date, there is work to be done before mining operations can be resumed. Currently, HMC has applied for the renewal of the MPSA on May 26, 2016, more than a year prior to its expiration on October 28, 2017. In support of its application, it has received the necessary endorsements from the host communities in the form of resolutions issued by the four (4) barangays comprising Manicani Island, the Municipality of Guiuan, and the Province of Eastern Samar. These endorsements, along with various presentations to be made to the MGB of Region VIII and to the community, forms part of HMC's compliance with the government regulations pertinent to the MPSA renewal.

Once the MPSA renewal is granted, HMC shall begin confirmatory drilling activities and will commence mining once the suspension order is lifted.

**Kepha** - The property has a total area of 6,980.75 hectares and is situated in the province of Surigao del Norte, immediately southwest of our Taganito mine's northern boundary. TMC's rights to the property are governed by an Operating Agreement that it entered into in February 2007 with Kepha. Kepha entered into a MPSA in June 2009, giving it the right to explore, develop and mine the property for an initial period of twenty-five (25) years.

Under the terms of the Operating Agreement between Kepha and TMC, TMC has the right to explore, develop and operate the property during the period of the MPSA in return for the payment to Kepha of a royalty of 5% of gross revenues from all metallic minerals sold from the property.

Exploration activities at the Kepha exploration project are still under negotiations with the Mamanwa indigenous people group. The claim owner of the Kepha mining claim is also helping in the negotiations with the Mamanwa indigenous people group. Exploration activities in the said area can only resume after the favorable outcome of the said negotiations.

Despite the problem with the indigenous people's community of barangay Camam-onan, TMC continued to bring development projects to the barangay, including the renovation of the barangay Camam-onan gymnasium to a suitable evacuation center. This move by TMC was warmly welcomed by the LGU and constituents of Camam-onan.

On February 13, 2017, the DENR issued a show cause order directing Kepha to explain why its MPSA should not be cancelled for being allegedly within a watershed, which is protected under the Philippine Mining Act of 1995 and other existing applicable laws, rules and regulations. On February 24, 2017, Kepha replied to the letter stating that based on the MGB Region XIII's downloadable tenement map, the MPSA area is outside of any existing legally proclaimed watershed.

On September 10, 2018, the MGB approved the extension of Kepha's EP for another two (2) years, corresponding to the fifth and sixth years of its MPSA. As at December 31 2020, Kepha is in the process of renewing the third renewal of its two (2) year exploration period.

**La Salle** - The La Salle property, situated in the province of Surigao Del Norte, is held by TMC. The property previously had a total area of 6,824 hectares but the application was previously reduced to 2,234 hectares and further reduced to 972 hectares. It shares a common boundary with the Kepha property on the southwest side of the property. TMC's rights to the property are governed by an Operating Agreement that we entered into with La Salle in December 2006. La Salle's application for a MPSA is pending and TMC is responsible for completing the requirements for approval of the MPSA.

Under the terms of the Operating Agreement between La Salle and TMC, TMC will have the right to explore, develop and operate the property once the MPSA is approved, in return for the payment to La Salle of a royalty of 5% on gross revenues from all metallic minerals sold from the property.

TMC has identified a nickel lateritic deposit on the southwestern portion of the property near the boundary with the Kepha property and intends to conduct further exploration work on this deposit.

**Dinapigue** - In 2015, the Parent Company acquired DMC which holds the mineral property within the area subject of MPSA No. 258-2007-II on August 4, 2015. The property is located in the northeastern portion of Luzon, at the eastern foothills of the Sierra Madre mountains near the coast in Barangay Dimaluade, municipality of Dinapigue, province of Isabela. The project is known as the Isabela Nickel Project which covers an area of 2,392 hectares. It is approximately 425 kilometers from Manila and accessible through approximately 10 hours of land travel.

While the construction of a permanent causeway was deferred pending the necessary permits and additional engineering and design considerations, other development works within the tenement was undertaken. These include repair & maintenance of access roads, construction of offices and staff accommodation, topographic surveys of priority areas for development, and establishment of environmental control measures and nursery facilities.

### **Gold and Copper Resources**

#### **Cordillera Exploration Company, Inc.**

On November 15, 2010, the Parent Company entered into an agreement to purchase CExCI from Anglo American, a subsidiary of Anglo American Plc. In May 2011, the Parent Company entered into a Participation and Shareholders' Agreement with SMM. Based on the terms of the said Agreement, SMM invested \$1.5 million in CExCI for a 25% equity interest in 2011. The additional investment by SMM of \$2.8 million in 2015 brought its total equity in CExCI to 40%.

CExCI has an EP over the Manmanok Property in Apayao Province, an Application for EP (EXPA) over the Kutop Property in the province of Abra, and an application for Financial or Technical Assistance Agreement (AFTA) over the Mankayan Property, within the adjoining provinces of Benguet, Ilocos Sur and Mountain Province denominated as AFTA-008. A portion of the AFTA, covering the grounds in Mankayan, Benguet and Cervantes, Ilocos Sur, were converted to EXPA.

In December 2015, CExCI acquired the 100% equity interest in Newminco, which holds an EP for copper, gold, and related base and precious metals over an area located in Cabangan, San Felipe, and San Marcelino in the province of Zambales. The decision to acquire Newminco was made following the discovery of outcropping gold veins, the sampling of which in part returned good assays for gold.

On April 15, 2019, a Deed of Assignment with Royalty Agreement of APSA denominated as APSA-000021-II was executed by and between Marian and Olympus and CExCI. In July 2019, CExCI filed for the conversion of APSA-000021-II into an EP at MGB Region 2. The tenement is now denominated as EXPA-000166-II. Then by November 2020, after some deliberation, four (4) portions within AFTA-008 were identified and applied for conversion. Three (3) of the areas located in the Cordillera Administrative Region (CAR) have been granted application for EP with the last portion pending in Region 1. Before the end of 2020, the tenement of Kutop and areas of the AFTA remaining in CAR were officially withdrawn.

The description of CExCI's various properties is described below.

### ***Zambales***

In 2016, Newminco proceeded to implement its exploration program in the tenement designated as EP-001-2015-III which is located in the Municipalities of Cabangan, San Felipe and San Marcelino in the Province of Zambales. Exploration activities being conducted in the area include geologic mapping and surface sampling which identified prospects and possible drilling areas. Roughly twenty-five (25) kilometers of old farm to market and logging roads were rehabilitated and maintained to gain access to the property. Six hundred and sixty meters (660m) of exploratory trenches were dug, logged, sampled and rehabilitated. Diamond core drilling was conducted with a total meterage of 3,799.5 meters. A total of 401 samples were sent to the laboratory for multi-element geochemical analysis.

Results of the 2016 exploration campaign verified gold mineralization in a portion of the area drilled. However, the work so far conducted precludes Newminco from defining any commercial viability to the project. Rehabilitation works on disturbed areas were completed in early 2017.

In 2017, a tenement-wide ridge and spur soil sampling program was implemented in order to define targets for more detailed work. However, due to the expiration of the EP in July 2017, the sampling was not completed. The first renewal of the EP was approved by the MGB on March 3, 2020. However, pandemic-related issues resulted in its registration only at the end of the 3rd quarter of 2020. The soil sampling program was eventually restarted in January 2021.

### ***Isabela and Nueva Vizcaya***

The Marian Property was designated as APSA-000021-II and covers a total area of 6,325 hectares mainly located in the Province of Isabela with some portions in Nueva Vizcaya. It is owned by Marian and Olympus which entered into a Royalty Agreement with Vulcan Industrial and Mining Corporation on October 1969. This agreement was eventually terminated on November 2018.

A Deed of Assignment with Royalty Agreement of APSA-000021-II was executed by and between Marian and Olympus and CExCI on April 15, 2019.

On July 24, 2019, CExCI filed an application for the conversion of APSA-000021-II into an EP with MGB Region 2.

On January 29, 2020, an Order was issued by MGB Region 2 approving the Deed of Assignment with Royalty Agreement and the conversion of the APSA-000021-II to an EP application denominated as EXPA-000166-II in favor of CExCI. Since its conversion, the majority of the documentary requirements for the granting of the permit have been acquired and the application was evaluated in the MGB Central Office last January 2021.

### ***Mankayan***

The original Mankayan property is part of AFTA-008 which lies within two (2) regions, the CAR and Region 1. The original area applied for was 77,549 hectares. However, in early 2013, following exclusions/relinquishments from the application because of conflicts with national park boundaries and strong opposition from a municipality in Ilocos Sur, the total area cleared by the MGB is approximately 54,940 hectares.

In July 2013, a board decision was made to partially convert the AFTA to an EXPA. An application to convert a portion of AFTA-008 into an EP was filed on November 2013 in the MGB-CAR office. Since the area to be converted to EP straddles two regions and involves lands belonging to separate indigenous cultural communities, the application was split into two applications, namely: EXPA 116-Mankayan, covering an area of approximately 5,157 hectares; and EXPA 116-Cervantes, covering an area of approximately 6,012 hectares. The split has been necessary in order to facilitate and simplify the required "Free and Prior Informed Consent" (FPIC) process for each region covered. The process of the application for conversion took from November 2013 up to December 2015.

The FPIC over the Mankayan area was immediately started in December 2015, and had progressed to “Field-based Investigation” stage up to May 2016 when the process was suspended to give way to the general elections. The FPIC process over Mankayan remained suspended throughout the rest of 2016 and the whole year of 2017. This was done in order for CExCI to be able to concentrate in advancing the FPIC process over Cervantes.

The resumption of the FPIC process in Mankayan was eventually requested in January 2020. However, due to the COVID-19 pandemic, discussions on the resumption of the FPIC process between CExCI and National Commission on Indigenous Peoples (NCIP)-CAR only commenced on the last quarter of 2020. Despite this, as most of the documentary requirements for the granting of the permit have been acquired, EXPA-116 was endorsed by MGB-CAR and the application was evaluated at MGB Central Office last January 2021.

### ***Cervantes***

After the split of EXPA-116 into CAR and Region 1, MGB Region 1 endorsed the request for Certification Precondition to NCIP Region 1 on February 2016. Three (3) General Assemblies were scheduled with Consensus Building conducted in between the 2nd and 3rd General Assembly.

The 3rd General Assembly of the FPIC process in Cervantes was the final assembly to officially proclaim the acceptance of the exploration work of CExCI by the Indigenous Cultural Communities. This was conducted on March 13, 2017 and the result was six (6) out of the nine (9) barangays voted for the approval of the exploration of CExCI within their area. Following this, some protests and petitions to discredit the results of the general assembly were filed by some anti-mining group and locals.

A validation exercise to investigate the protests was called by the NCIP Region 1 Director. The validation exercise was completed by end November 2017, with the results and consequent report being very favorable to CExCI.

In January 2020, it was agreed upon by the commissioners of NCIP in an En Banc Meeting that the FPIC process should proceed upon which the Ancestral Domains Office issued an order to NCIP Region 1 to pursue the continuance of the FPIC.

However, before NCIP can continue the FPIC process, the COVID-19 pandemic struck. Due to enhanced community quarantines, locally imposed lockdowns by the LGU and restrictions on group assemblies, the FPIC process was put on hold. But with the easing out of restrictions, the resumption of the FPIC process might be possible by the 1st semester of 2021.

### ***Mountain Province and Benguet***

AFTA-008, now consists of approximately 43,320 hectares and covers portions of the provinces of Benguet and Mt. Province. In September 2020, four (4) portions of the remaining areas in CAR and Region 1 were applied for conversion to an application for EP.

The three (3) portions within CAR were officially converted on December 17, 2020 and were denominated as: EXPA No. 119 covering an area of 3,645 hectares in Besao and Tadian; EXPA No. 120 covering an area of 2,835 hectares in Mankayan and Tadian; and EXPA No. 121 covering an area of 5,751 hectares in Bontoc and Sadanga. The remaining areas of AFTA-008 in CAR were withdrawn. Additional mandatory documentary requirements are currently being compiled for the new EXPAs as advised by MGB-CAR.

### ***AFTA-008***

AFTA-008 now has 6,704 hectares all situated in Region 1. A portion of the remaining areas within Region 1 was applied for conversion to EXPA in MGB Region 1 and currently waiting resolution while the remaining areas will be withdrawn after the pertinent map has been revised to MGB’s instruction.

All documents pertinent to the retained AFTA-008 have been submitted to the office of the MGB CAR Regional Director as of July 11, 2016. The application is now pending with the said office awaiting the official conversion and withdrawal of the remaining areas of the AFTA in Region 1.

### ***Manmanok***

The Manmanok property is located within the Municipality of Conner, Apayao Province. The property is covered by EP-004-2006-CAR, which was first granted in October 2006 and subsequently renewed twice with the corresponding reduction in area coverage. The final area covered by the permit is approximately 4,996 hectares.

Following geophysical and geochemical work in an area that was deemed prospective for gold mineralization, drilling activities were conducted from June 2012 to March 2013, with poor results. The application for the third renewal of the EP was submitted to MGB - Central Office (MGB-CO). The exploration work in the area proved difficult and the EP may have to be given up eventually.

### ***Kutop***

The Kutop property is located within the municipalities of Malibcong and Daguioman in the Province of Abra, and the municipality of Balbalan in the Province of Kalinga. The property, with a total area of 13,268 hectares, is covered by an application for EP designated as EXPA-014-CAR.

As the area is ancestral land, CExCI is required to obtain a FPIC from the tribal group prior to the grant of the EP. Considerable delays have been experienced in moving this process forward. In the meantime, a deadline imposed by the MGB to complete this process has not been met. With the prevailing condition in the area, CExCI has decided to withdraw the application. The withdrawal was filed in November 2020 and was granted on December 11, 2020.

## **N. ENVIRONMENT AND REHABILITATION**

### ***Environmental Responsibility***

NAC adheres to the principles and practices of sustainable development. The Company is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. Mining is a temporary land use and once mining operations in its sites have ended, the Company plans to restore these properties to at least as close as possible to their pre-mining condition or to develop alternative productive land uses for the benefit of the surrounding communities. It is also committed to investing in programs and technologies to mitigate the anticipated impacts of mining activities.

To manage environmental impacts, NAC's subsidiaries have an EPEP. This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment.

It is the operational link between the environmental protection and enhancement commitments under CDAO 2010-21, consolidated implementing rules and regulations of RA No. 7942, as well as those stipulated in the ECC under Presidential Decree 1586 and the Contractor's plan of mining operation.

Activities undertaken through the Annual EPEP include, among others:

- Rehabilitation of mine disturbed areas
- Reforestation
- Construction and/or maintenance of environmental facilities
- Solid waste management
- Hazardous waste management
- Air quality monitoring and water quality monitoring
- Preservation of downstream water quality

NAC also complies with the ECC conditions and the performance of commitments through the Annual EPEP. This program is monitored and evaluated by the Multipartite Monitoring Team - a multi-sector group headed by a representative from the Regional MGB and representatives of LGUs, other government agencies, NGOs, people's organizations, the church sector and the Group. In 2020, the Group spent approximately ₱351.6 million on its EPEP.



### **Rehabilitation**

In line with its commitment to maintain a sustainable environment in its areas of operation and to abide by the Philippine Mining Act of 1995, NAC regularly conducts onsite environmental assessments to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within standards set by regulatory agencies.

The process begins with re-contouring, backfilling and leveling the land. After this, the area is covered with top soil and other soil amelioration strategies to provide fertile ground for planting.

The Company follows the “Sequential Planting Method”, wherein fast growing species are first planted, then provided with a vegetative cover within twelve (12) to eighteen (18) months to enable the planting of other species. Another successful method used is by utilizing large planting materials which resulted to more than 90% survival and high growth rate.

Creating a biodiversity area with varied species of vegetation including native fruit bearings trees will eventually be a source of food for a variety of wildlife species that will aid in rehabilitating mine affected areas by way of succession and regeneration. The rehabilitation effort is managed by the Group’s expert foresters with the help from indigenous peoples from the locality, and the Company has successfully demonstrated that a totally mined out area can be significantly re-vegetated in just twelve (12) to eighteen (18) months.

The end result is a sustainably managed forest far better than the stunted vegetation before, because of the mineralized nature of the soil.

As a means of restoring the disturbed areas from mining operations, NAC requires each mine site to create a decommissioning/closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The four (4) operating subsidiaries have already developed their respective plans for review and approval of the MGB.

Mine Rehabilitation, a requirement under the Philippine Mining Act of 1995, is part of sustainable development. It forms part of the best practices of the Company’s subsidiaries such as RTN. Following the “Sequential Planting Method” used by the Group, fast growing species or Pioneer Species such as Batino, Acacia mangium, Acacia auriculiformis and others - all grown and nurtured in the Company’s nurseries-- are planted first. These species provide vegetative cover within three (3) years to enable the planting of “Climax Species” like Apitong, Ipil, Narra, Almaciga, Agoho, Kamagong and others which need tree shade to grow. They form the core of the new forest stands. Native fruit-bearing trees are also planted to provide a source of food for wild animals that will eventually populate the forest. To ensure the survival of all these trees, the Company’s subsidiaries manage the rehabilitation program through their forestry teams. Composed mostly of indigenous people from the surrounding areas, each forestry team conducts a maintenance program that includes watering the trees during summer, ringweeding cultivation around seedlings, application of compost and other related activities. The work of the forestry teams has resulted in a survival rate of 85%-95% for the trees.

As of December 31, 2020, the Group recognized a provision for mine rehabilitation and decommissioning of ₱664.4 million. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. The Company has ₱533.6 million maintained in such trust funds as of December 31, 2020. This amount complies with the minimum requirement under the law.

In 2020 and 2019, the Group planted trees of about 708,779 and 687,639, respectively.

## O. SOCIAL RESPONSIBILITY

### Mining

NAC endeavors to be a valuable partner for economic and social progress. As a corporate citizen, it recognizes the great privilege of sharing the opportunities and the responsibilities afforded by doing business in the country. The principles of sustainable development clearly identify for the Company its obligation to make every effort and ensure that the benefits of development reach every stakeholder.

Social development programs are created and implemented in all the mines. The focus areas of these programs are designed to address needs of communities around the mine sites. These programs are carried out through the SDMPs and Corporate Social Responsibility (CSR) activities of the Group. The main difference between the two programs is that the SDMP is required by the government, while CSR is voluntary on the part of the Group.

NAC engages with residents, LGUs, government agencies, local NGOs, international agencies and other interested groups to understand concerns, identify needs and design projects that will facilitate long-term and beneficial resource development. Each of its operating mines manages their social expenditures through its respective SDMPs. These are five (5) year programs that contain a list of priority projects identified and approved for implementation, in consultation with the host communities. Each mine site has a community relations team that is in charge of identifying and implementing SDMPs, and maintaining strong relationships with communities. Annually, the Group sets aside a budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the programs are monitored, audited and evaluated by the MGB.

The Group also recognizes the rights of the indigenous peoples and Indigenous Cultural Communities and in compliance with the Indigenous Peoples Rights Act, its subsidiaries entered into agreements for royalty payments and other assistance for their socio-economic well-being.

NAC respects and values each of our employees and observes the fundamental tenets of human rights, occupational safety and non-discrimination in the work place. The Group implements a Safety and Health Program in all of its operating mines and provides the equipment, training and resources necessary to enable its employees to perform their work safely and without risk to their health. The Group has committees and labor management groups that monitor its health and safety programs. The Company believes that security goes hand in hand with safety in the workplace and has adopted security policies and systems founded on the protection of basic human rights and respect for people.

Beyond the mandatory SDMP programs, the Group carries out its own CSR programs. The details of the Group's Social Responsibility initiatives are set forth in the Sustainability Report attached to and made an integral part of this Annual Report.

## P. EMPLOYEES

As at December 31, 2020, we had a total of 2,041 regular employees. Of these, 1,969 are employed in mining operations and projects and 72 are employed in power plant operations.

The tables below show the distribution of our workforce (full time regular employees only):

### Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	DMC	EPI	JSI	BGI	MGPC	Total
Senior Management	22	-	1	1	1	1	-	3	0	-	-	29
Managers	18	1	1	3	1	-	-	1	0	-	-	25
Supervisors	31	5	2	4	8	4	2	3	1	-	-	60
Rank & File	28	4	5	8	8	5	-	2	3	-	-	63
<b>Total</b>	<b>99</b>	<b>10</b>	<b>9</b>	<b>16</b>	<b>18</b>	<b>10</b>	<b>2</b>	<b>9</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>177</b>

## Minesite/Project Field Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	DMC	EPI	JSI	BGI	MGPC	Total
Senior Management	-	1	4	1	22	-	-	-	-	-	-	28
Managers	3	16	11	52	15	-	9	-	2	-	1	109
Supervisors	7	103	86	214	151	-	22	-	4	-	-	587
Rank & File	20	120	91	389	486	-	1	-	24	4	5	1,140
<b>Total</b>	<b>30</b>	<b>240</b>	<b>192</b>	<b>656</b>	<b>674</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>30</b>	<b>4</b>	<b>6</b>	<b>1,864</b>

Each mine site and project field office also provides work opportunities for the communities. The tables below show a breakdown of the workforce (full time, contractual, probationary and casual) hired from the local communities in each area of operation:

Minesite	Manpower from local community	Indigenous People
Regular	1,281	85
Probationary	24	2
Project-based/Seasonal	459	59
<b>Total</b>	<b>1,764</b>	<b>146</b>

Plantsite	Manpower from local community	Indigenous People
Regular	35	3
Probationary	-	-
Project-based	1	-
<b>Total</b>	<b>36</b>	<b>3</b>

NAC complies with all government standards on the wages and labor regulations in the Philippine mining and renewable energy industries. We also ensure that we are aligned with the specific regulations from the respective DOLE Regional Offices. In the case of unions, employment conditions for rank and file employees are provided by Collective Bargaining Agreements (CBA) which are negotiated at the mine level. Generally, these CBAs have terms of five (5) years (with a provision for wage renegotiation after three (3) years).

The CBA of HMC was successfully renegotiated and will expire on December 31, 2022. RTN's rank and file CBA expired last December 2020 and negotiations are currently ongoing for a new cycle for five (5) years. The CBA of the supervisor's union of RTN which started last June 2018 will have renegotiations on the economic aspects this June 2021. CMC's CBA expired on December 31, 2020 and they have started the initial steps of negotiations. TMC's CBA negotiation which was concluded last March 2020 will expire in December 2025.

The compensation of the Group is among the best in the Philippine mining industry and its relations with employees and unions are very productive. We have received awards for Union and Management partnering programs. The Group continues to forge and sustain productive partnerships with our unions and their federations.

### **Pension Costs**

The Company provides its regular employees with a retirement benefit as part of its employment benefits. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The assumptions include among others, discount rates and future salary increase rates.

Defined benefit costs comprise the following:

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

These amounts are calculated periodically by independent qualified actuaries.

## Q. RISKS RELATED TO OUR BUSINESS AND INDUSTRY

### Mining Industry

**Changes in, or more aggressive enforcement of, laws and regulations could adversely impact the Group's business** - Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters.

**Continued moratorium and delay in getting permits** - The issuance of EO No. 79 put a moratorium on the issuance of new permits pending legislation rationalizing the existing revenue sharing schemes and mechanism have taken effect. The Group relies on permits, licenses, including MPSA, operating agreements with third-party claim owners and land access agreements to conduct its mining operations. The MPSAs and Operating Agreement with respect to its operating mines expire at different times between 2017 and 2047 and require renewal upon expiration. The Group believes that its subsidiaries and affiliates currently hold or have applied for all necessary licenses, permits, operating agreements and land access agreements to carry on the activities that it is currently conducting under applicable laws and regulations, licenses, permits, operating agreements and land access agreements. The Group may be required to prepare and present to government authorities data pertaining to the impact that any proposed exploration or production of ore may have on the environment, as well as efficient resource utilization and other factors that its operations may influence. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals needed for the Group's mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts its ability to conduct its mining operations profitably.

Furthermore, new laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may also cause material delays or interruptions of one or more of the Group's current or planned operations or developments or, to the extent such approvals or conditions cannot be obtained or met on an economical basis, the curtailment or termination of such operations or developments.

In addition, the local governments where the Group's mines or exploration properties are located may impose additional restrictions on its operations. For instance, the conversion of a mining lease to a MPSA for its Mt. Bulanjao exploration property has been pending for several years due to restrictions on mining above a certain elevation imposed by the Palawan Council for Sustainable Development (PCSD). Recently, the Municipality of Bataraza where the property is located, reclassified the Bulanjao area as open to mineral development. A final endorsement from the PCSD is necessary before RTN can receive the MPSA on the property.

**Mine security** - The Group's operations are prone to terrorist attacks and other insurgent atrocities due to the location of mine sites. NAC ensures the safety of its communities and employees by working with the government and tapping all available resources that may help prevent, or at the very least, reduce terror-related incidents.

Each mining operation also employs a safety team under an accredited safety officer to promulgate safety measures and procedures and to ensure that these are followed. Training programs are also being conducted regularly.

On October 3, 2011, around 200 armed men occupied the TMC mine site and destroyed, among others, equipment, building structures, materials and supplies by setting them on fire. Accounting, personnel,

laboratory and administrative records were destroyed. Approximately ₱239.5 million worth of damages were sustained. Fortunately, no life or limb was lost. In response to the incident, security was increased, not just in TMC, but in all of the Group's mine sites. This was done in close coordination with the Armed Forces of the Philippines tapping the services of the Special Citizen Armed Forces Geographical Unit Active Auxiliary Companies.

NAC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and laws drawn from a number of different jurisdictions. The Group's facilities operate under various operating and environmental permits, licenses and approvals to satisfy these conditions. Failure to meet these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

Aside from the above, the Group faces a number of risks and the occurrence of any of these risks could have an adverse impact on our business, results of operations and financial condition.

***Volatility of London Metal Exchange (LME) nickel prices*** - NAC's revenue is largely dependent on the world market price of nickel. The sales price of nickel ore is correlated with the world market price of nickel. The nickel price is subject to volatile price movements over time and is affected by numerous factors that are beyond its control. These factors include global supply and demand; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. A growing world nickel market and increased demand for nickel worldwide have attracted new entrants to the nickel industry, spurred the development of new mines and expansion of existing mines in various regions, including Australia, Indonesia and New Caledonia, and resulted in added production capacity throughout the industry worldwide. An increasing trend in nickel prices since early 2003 have encouraged new or existing international nickel producers to expand their production capacity. An increased rate of expansion and an oversupply of nickel in world nickel markets in the future could reduce future nickel prices and the prices that the Group receives under its nickel ore supply agreements. If the sales price of its nickel ore falls below its production costs, the Group will sustain losses and, if those losses continue, it may curtail or suspend some or all of its mining and exploration activities. The Group would also have to assess the economic impact of any sustained lower nickel prices on recoverability and, therefore, the cut-off grade and level of its nickel reserves and resources.

***Nickel mining is subject to a number of inherent risks that are beyond our control*** - The Group's mining operations are influenced by changing conditions that can affect production levels and costs for varying periods and as a result can diminish our revenues and profitability. Inclement or hazardous weather conditions, the inability to obtain equipment necessary to conduct its operations, increases in replacement or repair costs, prices for fuel and other supplies, unexpected geological conditions and prolonged disruption of production at its mines or transportation of its nickel ore to customers could have a significant impact on the productivity of its mines and its operating results.

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

- equipment failures and unexpected maintenance problems;
- interruption of critical supplies, including spare parts and fuel;
- earthquakes or landslides;
- environmental hazards;
- industrial accidents;
- increased or unexpected rehabilitation costs;
- work stoppages or other labor difficulties; and
- changes in laws or regulations, including permitting requirements, the imposition of additional taxes and fees and changes in the manner of enforcement of existing laws and regulations.

The realization of any of these risks could result in damage to NAC's mining properties, nickel ore production or transportation facilities, personal injury or death, environmental damage to its properties,



the properties of others or the land or marine environments, delays in mining ore or in the transportation of ore, monetary losses and potential legal liability.

***Changes in Chinese demand may negatively impact world nickel demand and prices*** - Approximately, 79% of NAC's revenue from sale of nickel ore in 2020 was derived from shipments to China. The Chinese market has become a significant source of global demand for commodities.

China's consumption of primary nickel has increased by more than 30% over the past years, according to CRU Strategies. While this increase represents a significant business opportunity, the Group's exposure to China's economy and economic policies has increased. NAC's exposure to the Chinese market and its short-term supply agreements with Chinese customers have resulted in increased volatility in its business. In addition, increased Chinese demand for commodities has led to high volatility in the freight rates for shipping the Group's nickel ore. High freight rates can discourage customers outside the Philippines from entering into long term supply agreements with the Group due to the unpredictability of future shipping costs and can also affect the price Chinese customers are willing to pay for its nickel ore.

China, in response to its increased demand for commodities, is increasingly seeking self-sufficiency in key commodities, including nickel, through investments in nickel mining operations in other countries. In addition, nickel ore is used in the production of stainless steel and a slowdown in the stainless steel industry in China, or China's economic growth in general, could result in lower Chinese demand for NAC's products and therefore reduce its revenue.

***A prolonged decrease in production by the Coral Bay HPAL facility or the Taganito HPAL facility***  
Approximately, 17% of the Company's revenue from sale of nickel ore in 2020 was derived from sale of limonite ore to the Coral Bay HPAL facility and Taganito HPAL facility. CBNC, the owner of the Coral Bay HPAL facility, is only required to pay for limonite ore that is actually delivered to the plant and there are no minimum take-or-pay provisions in the ore supply agreement governing NAC's sales of ore to the facility. The ore supply agreement with Taganito HPAL facility is also subject to similar terms. In the event that the Coral Bay HPAL facility or the Taganito HPAL facility decreases production or experiences an unexpected prolonged shutdown, the Group will reduce the volume of limonite ore that it delivers to the applicable facility or cease such deliveries altogether.

***The Group's reserves may not be replaced, and failure to identify, acquire and develop additional reserves could have an adverse impact on its business, results of operations and financial condition*** - NAC's sources of nickel ore are currently limited to the Rio Tuba, Taganito, Cagdianao and Taganaan mines. The Group's profitability depends substantially on its ability to mine, in a cost-effective manner, nickel ore that possesses the quality characteristics desired by its customers. Because the Group's reserves decline as it mines its nickel ore, its future success and growth depend upon its ability to identify and acquire additional nickel ore resources that are economically recoverable. NAC currently has seven (7) mining exploration properties in the Philippines and if it fails to define additional reserves on any of its existing or future properties, its existing reserves will eventually be depleted. The acquisition of DMC in 2015 will increase the current sources of nickel ore of the Group.

***The Group faces competition in selling nickel ore*** - NAC competes with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers in world nickel ore markets. It competes with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply.

***Continued compliance with safety, health and environmental laws and regulations*** - NAC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, collectively referred to as "laws") drawn from a number of different jurisdictions. The Group anticipates that it will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement or new judicial interpretation of existing laws exists in the areas of worker health and safety, the disposition of waste, the decommissioning and rehabilitation of mining sites and other environmental matters, each of which could have a material adverse effect on the Group's exploration, operations or the cost or the viability of a particular project. NAC's facilities operate under various operating and environmental

permits, licenses and approvals that contain conditions that must be met and its right to continue operating its facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

***Exposure to exchange rate fluctuations*** - The Group's nickel ore sales are denominated in U.S. dollars while most of its costs are incurred in Philippine peso. The appreciation of the Philippine peso against the U.S. dollar reduces its revenue in peso terms. Accordingly, fluctuation in exchange rates can have an impact on the Group's financial results. Additionally, in the past NAC has invested in derivative instruments that increased in value as the Philippine peso appreciated relative to the U.S. dollar, and vice versa. While the Group's current policy is not to hedge its exposure to foreign currency exchange risk or invest in this type of derivative instrument, the Group does, and may continue to, invest in U.S. dollar-denominated portfolio investments. Appreciation of the Philippine peso relative to the U.S. dollar could result in a translation loss on our U.S. dollar-denominated assets.

#### Power Industry

***Continued compliance with laws and regulations*** - Power companies are required to comply with regulations relevant to the power industry as implemented by agencies like DOE, ERC, NGCP, Board of Investments, DOLE, DENR, Department of Agrarian Reform, NCIP, Bureau of Internal Revenue, SEC and LGUs. A risk will arise if the Company is unable to timely and satisfactorily comply with regulatory requirements. To mitigate this risk, the Company's subsidiaries monitor and comply with all such legal and regulatory requirements.

***Market risk*** - JSI generates solar energy and all its energy production enjoys the benefit of priority dispatch to the grid. JSI sells to the WESM and, as such, is a market-price-taker. For the proposed geothermal power projects, long-term power sales contracts with distribution utilities are entered into, the Company evaluates the market risks and implements appropriate strategies to mitigate such risks.

***Equipment, Procurement and Construction (EPC) may not be completed as planned*** – The Group's power subsidiary is still increasing its renewable energy capacity. There is always a risk that EPC of the various power plant facilities is not completed as planned, particularly in terms of standards, specifications, costs and timing. To mitigate this risk, the Group engages reputable contractors with the requisite track record to complete the project EPC. A full range of insurance protection as well as performance guarantees are being arranged by the Group. The Group also hires its owner's engineer to have quality control over the EPC workmanship.

***Shortage or lack of adequate and qualified personnel*** - A well-run power plant is vital to ensuring that the renewable energy production potential of the power plant is effectively harnessed, optimized, efficiently and fully delivered. To achieve this, the Group has and will continue to contract the services of seasoned power plant operations and maintenance managers and their respective teams of qualified personnel.

***Occurrence of environment and natural catastrophes*** - Before undertaking any renewable energy project, the Group takes into consideration various factors including (a) project location – whether the potential power production sites are in areas identified by government agencies/authorities as susceptible to natural disasters/extreme weathers; (b) geotechnical studies – prepared by reputable global renewable energy consulting firms for every potential project site who research and recommend the appropriate technologies, types of materials or equipment to use, and the minimum performance specifications and standards to adopt to ensure maximum tolerance say against wind strength in the area (e.g. minimum strength of solar panel braces), and the design of the plants; and (c) expert views – articulated by seasoned practitioners/specialists in solar and geothermal technologies. Such force majeure or acts-of-God occurrences are covered by provisions in all contracts entered into by the Group. The Group is mitigating the risk that naturally occurring perils cause damage to or disrupt renewable energy projects during their developmental and operating phases by obtaining various appropriate insurance coverage/s and instituting systems and procedures to minimize if not avoid the impact of these occurrences.

## Item 2. PROPERTIES

### A. MINING PROPERTIES AND PERMITS

Below is a summary of the Group's mineral agreements and permits, mineral resources and reserves and processing facilities with respect to its mining operations.

#### RIO TUBA NICKEL MINING CORPORATION

##### A. Rio Tuba Mine

*MPSA No. 114-98-IV- Amended I covering beneficated nickel mine* - On June 4, 1998, RTN was issued a MPSA by the DENR covering an area of 990 hectares, situated at Barangay Rio Tuba, Bataraza, Palawan, valid for twenty-five (25) years, renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions. On August 22 and November 4, 2019, RTN's application for a separate ECC and MPSA amendment, respectively, were approved covering additional area of 3,548.44 hectares, for a total accumulated area of 4,538.44. However, under the SEP for Palawan Act (RA No. 7611), operations are currently prohibited within an area of 144 hectares classified as "core zone" which are required to be fully and strictly protected and maintained free of human disruption. Included in the "core zone" are all types of natural forest, areas above 1,000 meters elevation, peaks of mountains or other areas with very steep gradients, and endangered habitats and habitats of endangered and rare species.

*MPSA No. 213-2005-IVB for RTN's Limestone Quarry* - On April 28, 2005, RTN was issued another MPSA for a total area of 84.5364 hectares with an ECC for 13 hectares in Bataraza, Palawan. This MPSA was also given a validity of twenty-five (25) years renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions. This MPSA covers the Sitio Gotok limestone pit, whereby limestones are being sold to CBNC and UMPI. The terms and conditions of this MPSA mirror the terms of MPSA No. 114-98-IV granted to RTN, albeit covering mining of limestone rather than nickel products.

#### HINATUAN MINING CORPORATION

##### A. Taganaan Mine

MPSA 246-2007-XIII - On July 25, 2007, HMC was granted a MPSA covering 773.77 hectares of mineral land in Hinatuan Island, Barangay Talavera, Taganaan, Surigao del Norte within Parcel II of the Surigao Mineral Reservation for a period of twenty-five (25) years renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions.

However, with the depleting resources of HMC, its mine life is estimated to be until two (2) years only based on its remaining direct shipment ores. Feasibility studies are currently on-going to determine the possibility of HMC delivering low-grade limonite ores to CBNC, one of the local nickel processing plants in the Philippines, to further extend its mine life. In addition, drilling of areas are still ongoing in the hope of finding additional ore resources.

##### B. Manicani Mine

MPSA No. 012-92-VIII - The Manicani mine is subject to MPSA No. 012-92-VIII granted on August 13, 1992 for 1,165 hectares. It has a term of twenty-five (25) years and is renewable for another term not exceeding twenty-five (25) years subject to mutually agreed upon terms and conditions. An application for the renewal of MPSA No. 012-92-VIII is pending approval before the DENR.

On May 1, 2002, the DENR ordered the suspension of mining operations in Manicani pending a conduct of investigation in view of the complaints of the Roman Catholic Bishop. In a decision dated August 2, 2004, an arbitral panel of the Mines Adjudication Board, MGB, Region 8, the MPSA was ordered cancelled. The basis for the decision of the Board was the alleged violation of the ECC. As a result, mining operations in Manicani remain suspended. The mining operations were found by the Board to be causing pollution of the seawater of Manicani Island. A Memorandum of Appeal dated

December 23, 2004 was filed by HMC and its MPSA was upheld by the Mines Adjudication Board on September 4, 2009. Incidentally, a Letter of Authority to Dispose Nickel Stockpile was issued by MGB on July 1, 2014. From May to August of 2016, five (5) shipments were realized for the disposal of said stockpiles, after which, shipments were suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

On May 23, 2016, HMC applied for the renewal of its MPSA in Manicani which expired on October 28, 2017. Said application is pending before the DENR.

HMC filed a supplemental letter to its MPSA renewal application on October 29, 2018 with an alternative prayer for the extension of the term of MPSA No. 012-92-VIII corresponding to the number of years HMC was not able to conduct mining operations. However, in a letter dated July 1, 2019, the MGB Regional Director denied the application of HMC for renewal/extension of term of MPSA No. 012-92-VIII. HMC's subsequent Motion for Reconsideration was also denied in a letter dated August 8, 2019 and was directed to file its appeal with the MGB CO. To date, HMC's appeal has not been resolved by the MGB-CO. Pending the MGB-CO's decision on HMC's appeal, HMC is willing to handle the care and maintenance of the mine site in the Contract Area of the aforementioned MPSA.

#### **TAGANITO MINING CORPORATION**

A. Taganito Mine

*MPSA No. 266-2008-XIII* - TMC was granted a MPSA on June 18, 2009 for a period of twenty-five (25) years subject to renewal as may be mutually agreed upon. The MPSA covers an area of 4,862.7116 hectares located at the Barangays of Hayanggabon, Urbiztondo, Taganito and Cagdianao, Municipality of Claver, Province of Surigao del Norte.

B. Kepha Exploration

*MPSA No. 284-2009-XIII* - On June 19, 2009, Kepha was issued a MPSA covering 6,980.75 hectares of mineral land situated in the Municipality of Claver, Province of Surigao del Norte within Parcel I of the Surigao Mineral Reservation. The MPSA is for a period of twenty-five (25) years and renewable for another twenty-five (25) years as may be mutually agreed upon by the parties.

The terms and conditions of this MPSA mirror the terms of MPSA No. 266-2008-XIII granted to TMC.

An Operating Agreement dated February 14, 2007 was executed by and between TMC and Kepha for a term of twenty-five (25) years from February 14, 2007, whereby TMC shall maintain the mining rights covering the mineral property in good standing for and on behalf of Kepha.

C. La Salle Exploration

La Salle filed an application for MPSA denominated as APSA No. 000073-XIII covering 6,824 hectares of mineral land situated at Brgy. Sicosico, Municipality of Gigaquit, Surigao del Norte, Mindanao for the development of limestone deposits as mine.

On December 18, 2006, La Salle entered into an Operating Agreement with TMC for a term of twenty-five (25) years whereby TMC shall maintain the mining rights of La Salle covering the aforesaid properties and to keep the rights in current and good standing for and on behalf of La Salle. On August 12, 2010, La Salle submitted to the MGB an amended MPSA plan, reducing the area from 6,824 hectares to 2,234.96 hectares.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle as TMC is no longer interested in the exploration and/or development of the limestone deposit inside the property.

## **CAGDIANAO MINING CORPORATION**

### Cagdianao Mine

*MPSA No. 078- 97- XIII* - On November 19, 1997, East Coast Mineral Resources Co., Inc. (East Coast) was granted a MPSA for a period of twenty-five (25) years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 697.0481 hectares situated at Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

On the same date, a MOA was executed between CMC, as Operator, and East Coast for a period of ten (10) years from the effectivity of the MOA whereby East Coast grants CMC the exclusive right to explore, develop and utilize the mineral property covered by the MPSA. On November 19, 2007, the MOA was renewed for a period of fifteen (15) years, covering the remaining term of the MPSA. On December 18, 2015, a Supplemental Agreement was executed by CMC and East Coast, providing for, among others, an automatic renewal of the MOA for another twenty-five (25) years, or from 2022 to 2047.

## **DINAPIGUE MINING CORPORATION**

On July 30, 2007, the PGMC and the Government entered into a MPSA, which allows PGMC to explore, develop and mine nickel ore within the contract area covering 2,392 hectares in the Municipality of Dinapigue, Province of Isabela.

On January 6, 2009, PGMC and DMC executed a Deed of Assignment transferring to DMC all the rights, title and interest in and into the MPSA over the contract area.

Under the MPSA, DMC shall pay the Government a 2% excise tax. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of DMC, with approval from the Government.

## **CORDILLERA EXPLORATION CO., INC.**

CExCI has an EP over the Manmanok Property in Apayao Province, an application for EP over the Kutop Property in the province of Abra, and an application for Financial or Technical Assistance Agreement over the Mankayan Property, within the adjoining provinces of Benguet, Ilocos Sur and Mountain Province. A portion of the AFTA, covering the grounds in Mankayan, Benguet and Cervantes, Ilocos Sur, were converted to applications for EP.

## **NEWMINCO PACIFIC MINING CORPORATION**

Newminco, which was acquired by CExCI in December 2015, holds an EP for copper, gold, and related base and precious metals over an area located in Cabangan, San Felipe, and San Marcelino in the province of Zambales. The decision to acquire Newminco was made following the discovery of outcropping quartz veins, the sampling of which in part returned good assays for gold. The EP 001-2015-III expired in July 2017 and its renewal was approved by MGB on March 3, 2020.



## B. MINERAL RESOURCES AND RESERVES

As of December 31, 2020, the Company's Total Mineral Resources and Ore Reserves in accordance with Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
<i>Ore Reserves*</i>						
Saprolite	Proved and Probable	113,231	75,063	1.45	13.60	1,091
Limonite	Proved and Probable	178,170	119,922	1.05	42.32	1,262
<i>Mineral Resources**</i>						
Saprolite	Measured & Indicated	147,515	97,766	1.51	14.12	1,479
Limonite	Measured & Indicated	220,144	147,543	1.05	42.79	1,550
Saprolite	Inferred	54,817	35,820	1.39	14.29	496
Limonite	Inferred	50,346	32,841	1.04	41.37	341

\* This ore reserves estimate was prepared by Engr. Aloysius C. Diaz (BSEM), Senior Vice President and Head of Production. Engr. Diaz is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. He is a licensed mining engineer with PRC registration number 980. He has given his consent to the attachment of this statement to the 17-A 2020 Annual Report concerning Ore Reserve Estimation.

\*\* This mineral resources estimate was prepared by Ms. Kristine Grace C. Victoria, Geologist of NAC. Ms. Victoria is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. She is a licensed geologist with License number 1721. She has given her consent to the attachment of this statement to the 17-A 2020 Annual Report concerning Mineral Resources Estimation.

## C. PROCESSING FACILITIES

### CBNC

Facility	.....	Coral Bay HPAL nickel processing plant
Location	.....	In a Special Economic Zone adjacent to Rio Tuba mine
Ownership	.....	NAC (10%) Mitsui and Co., Ltd. (Mitsui; 18%) Sojitz Corporation (18%) SMM (54%)
Operations	.....	Commissioned in 2005 with design capacity of 10,000 tonnes per year of contained nickel. Capacity doubled to 20,000 tonnes per year of contained nickel in June 2009 and attained annual capacity of 24,000 tonnes in 2010 due to facility expansion.
Technology	.....	HPAL process
Source of ore	.....	Rio Tuba mine
Product	.....	Nickel-cobalt sulfide sold exclusively to SMM

The Company acquired its 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant, by way of property dividend distributed by RTN in March 2014. A consortium of Japanese companies led by SMM holds the remaining 90% equity interest. The plant was constructed adjacent to the Rio Tuba mine in an area designated as a Special Economic Zone by the Philippine Export Zone Authority (PEZA). As such, CBNC enjoys tax incentives, including a tax holiday. All of the limonite ore required for the plant is supplied by RTN from its extensive stockpile and from newly mined ore. RTN also supplies limestone and undertakes certain materials handling and transportation services. The plant produces a nickel sulfide precipitate containing approximately 57% nickel and 4% cobalt, which is sold exclusively to SMM for refining at its Nihama refinery. The facility uses proprietary SMM technology under a non-exclusive license.

## THNC

Facility . . . . .	Taganito HPAL nickel processing plant
Location . . . . .	In a Special Economic Zone adjacent to the Taganito mine
Ownership. . . . .	NAC (10.0%) SMM (75.0%) Mitsui (15.0%)
Operations. . . . .	Commenced commercial operations at full capacity in October 2013 and expected to produce approximately 51,000 tonnes of mixed nickel-cobalt sulfide in 2014, the first full year of commercial operations at full capacity
Technology . . . . .	HPAL process
Investment cost/financing . . . . .	US\$1,420 million, which further increased to US\$1,590.0 million, to be majority debt-financed, with remaining balance to be equity-financed based on ownership
Source of ore . . . . .	Taganito Mine
Product . . . . .	Nickel-cobalt sulfide to be sold exclusively to SMM

Following the success of the Coral Bay HPAL facility and taking into account the stockpile and reserves of limonite ore owned by TMC, SMM conducted a feasibility study in September 2009 on a 30,000 tonnes-per-year HPAL plant to be located adjacent to the TMC mine site. The completion of the study led to the signing of a Memorandum of Understanding (MOU) in September 2009 between NAC, TMC, and SMM to proceed with the project. The Company expects that the plant will use technology similar to that used at the Coral Bay HPAL facility but will be triple the original size of the Coral Bay plant. TMC is expected to supply all the limonite ore required for the plant and the nickel-cobalt sulfide product will be sold exclusively to SMM for refining in Japan.

Pursuant to the Taganito HPAL Stockholders Agreement that NAC entered into on September 15, 2010, the project will be undertaken by THNC, a company that will be jointly owned by NAC (as to 22.5%), SMM (as to 62.5%) and Mitsui (as to 15.0%). The agreement contains a term sheet with principal terms of an offtake agreement to be entered into between THNC and TMC for the supply of limonite ore. Similar to the Coral Bay HPAL facility, the plant is located in a Special Economic Zone approved by the PEZA and enjoy tax incentives. The operation of the facility provides an additional dedicated customer for limonite ore from our Taganito mine which allows us to benefit from the higher percentage of payable nickel available further downstream in the nickel value chain.

The estimated total cost is US\$1.7 billion, which includes capital expenditures of US\$1.6 billion for the plant, working capital and US\$100.0 million of interest accrued during the construction phase. An estimated of US\$1.1 billion of the project costs will be financed with debt financing that will be incurred by THNC. Under the terms of the Stockholders Agreement, we will be required to guarantee a portion of such debt financing equal to our 22.5% equity interest in THNC. On September 15, 2010, we entered into an agreement with SMM whereby SMM will guarantee our pro-rata portion of THNC's loan obligation in exchange for the payment of an annual guarantee service fee to SMM of 1% of our pro-rata share of the outstanding loan obligation.

In 2016, we made a strategic decision to reduce our ownership in the Taganito plant from 22.5% to 10%, the same equity level that we have in the Coral Bay plant. The reduction in our equity was achieved by a sale of shares to the majority owner of the plant and one of our major shareholders, SMM.

In the absence of cost overruns or major expansion plan, THNC is expected to distribute all of its available cash as dividends to shareholders in any financial year, after payments have been made for operating expenses, applicable taxes, capital expenditure, working capital, scheduled loan principal and interest repayments, and after making provisions for upcoming installments of the loans and required working capital.

#### **D. REAL PROPERTIES**

TMC owns the following parcels of land located in Surigao City:

- 1) a parcel of land with a total area of 43,237 square meters in Barangay Rizal and with Transfer Certificate of Title (TCT) No. 162-2011000392; and
- 2) a parcel of land with a total area of 88,640 square meters in Barangay Ipil and with TCT No. 162-2012000481, which is intended for leasing to THNC in the future

Likewise, HMC owns a parcel of land with a total area of 3,500 square meters located in Barangay Luna, Surigao del Norte under TCT No. 162-2013000096. HMC constructed a building on the said land which is currently being used as a liaison office of NAC's mining companies in Surigao.

NAC owns a parcel of land with a total area of more or less 20,000 square meters which is located in Barangay Quezon, Surigao del Norte. NAC constructed its diesel power plant on the said land.

MGPC has purchased some 48 hectares of its geothermal project site in Naujan, Oriental Mindoro.

#### **E. SERVICE CONTRACTS**

The Group's power companies hold the following service contracts:

##### *Solar Energy Service Contract No. 2015-01-099*

On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the DOE which grants EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

Under the SESC, EPI assumes all the technical and financial risks without any guarantee from the Philippine Government and shall not be entitled to reimbursement for any expense incurred in connection with the SESC.

The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

After doing initial pre-development activities and re-evaluation of strategic direction, EPI concluded that there is no compelling reason for it to proceed with the development of the project covered by this SESC. In January 2020, EPI requested DOE for voluntary termination of this SESC.

##### *Solar Energy Service Contract No. 2013-10-039*

On October 31, 2013, JSI entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity generated from the solar energy operations.

On August 28, 2015, JSI was granted a Certificate of Confirmation of Commerciality by the DOE for its 100MW Sta. Rita Solar Power Project located in Mt. Sta Rita, Subic Bay Freeport Zone. The certificate converts the project's SESC from exploration/pre-development stage to the development/commercial stage.

On March 11, 2016, JSI's Certificate of Confirmation of Commerciality originally rated for the 100MW was amended by DOE to 7MW and 93MW Sta. Rita Solar Power Project Phase I and II, respectively. JSI commenced operation in May 2016.

On April 11, 2017, JSI applied to the DOE for the amendment of the Amended Confirmation of Commerciality rated 7MW and 93MW to 32MW (consolidating Phase I at 7MW and Phase II at 25MW) and 68MW as Phase III based from JSI's progress on the Engineering Procurement Construction revised timetable. As at December 31, 2020, JSI's application is still pending.

*Wind Energy Service Contract (WESC) No. 2013-10-062*

On October 31, 2013, JSI entered into a WESC with the DOE. The WESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The WESC is for a period of twenty-five (25) years, inclusive of a three (3) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the WESC shall be 1% of the gross income from the sale of electricity in the wind project.

On August 17, 2020, JSI decided to surrender its WESC which was acknowledged by the DOE on September 17, 2020.

*Solar Energy Operating Contract No. 2021-01-577*

In 2020, JSI applied for a second 100MW solar service contract also located at the Subic Bay Freeport Zone. The new service contract, Solar Energy Operating Contract No. 2021-01-577, was awarded by the DOE to JSI in February 3, 2021.

*Geothermal Renewable Energy Service Contract No. 2016-02-060*

GRES No. 2010-02-013, which covers an approximate area of 3,914 hectares in the three (3) barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of at least 20MW. Once completed, the addition of geothermal power into the present mix of Mindoro's electricity sources will have a stabilizing effect on the grid where the entire island is located.

The Project is in the exploration stage as at December 31, 2020.

As RE Developer, EPI undertakes to provide financial, technical, or other forms of assistance with the DOE, and agrees to furnish the necessary services, technology, and financing for the geothermal operations. EPI shall assume all financial risks such that if no geothermal resources in commercial quantity is discovered and produced, EPI shall not be entitled to reimbursement for any expenses incurred in connection with the GRES.

Certificate of Registration No. 2014-02-054 shall remain in force for the remainder of twenty-five (25) years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof. Moreover, if EPI has not been in default in its obligations under the GRES, the DOE may grant an additional extension of twenty-five (25) years, provided that the total term is not to exceed fifty (50) years from the date of effectivity.

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRES to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRES to MGPC. The DOE approved EPI's application on February 16, 2016 under Certificate of Registration No. 2016-02-060.

The Project is currently at the exploration phase and is expected to have an operating capacity of 40MW. The geothermal plant will supply electricity to Oriental Mindoro and Occidental Mindoro at 20MW capacity each.

On February 26, 2019, MGPC received the Confirmation of Commerciality for the 10MW Project from the Philippine Government, through the DOE.

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.

*Geothermal Renewable Energy Service Contract No. 2010-02-010*

By virtue of RA 9513 known as the RE Act of 2008, on February 1, 2010, the DOE issued to BGI GRESC No. 2010-02-010, converting its Geothermal Services Contract (GSC-09) issued on July 10, 2008 for the exploration, development and exploitation of geothermal resources covering the geothermal field in Biliran Province (previously a municipality of Leyte). By virtue of such agreement, BGI is entitled to enjoy an income tax holiday for a period of seven (7) years from the start of its commercial operation, duty free importation of machinery for ten (10) years, and 0% VAT, among others.

On December 28, 2014, BGI received the Confirmation of Commerciality for the Project from the DOE. There are a total of eight (8) wells drilled, with vertical, deviated or directional well tracks. BGI has continued to conduct activities for maintenance of the existing wells and secure the necessary permits and licenses related to the Project.

*Geothermal Renewable Energy Service Contract No. 2017-03-056*

This GRESC is a spin-off of the above BGI GRESC, issued by the DOE, and delineates the northern area of the island province of Biliran as a separate BGI exclusive development zone with a greenfield status.

**F. LIENS AND ENCUMBRANCES**

As at December 31, 2020, NAC's property and equipment are free from all liens and encumbrances.

**Item 3. LEGAL PROCEEDINGS**

In the ordinary course of NAC's business, its subsidiaries and affiliates are a party to various legal actions that are mainly labor cases that it believes are routine and incidental to the operation of its business. The Group does not believe that it is subject to any ongoing, pending or threatened legal proceeding that is likely to have a material effect on our business, financial condition or results of operations. However, there are a few cases that are now pending with the Courts.

*Asiacrest Marketing Corporation (Asiacrest) - First Integrated Bonding and Insurance Co. (FIBIC) Case*

On May 30, 2016, JSI filed a complaint against Asiacrest and FIBIC before the Construction Industry Arbitration Commission (CIAC), docketed as CIAC Case No. 23-2016, for Asiacrest's breach of its EPC Contract for the 100MW solar power plant in Subic. JSI sought to hold Asiacrest liable for amounts not to exceed ₱1,458.0 million. JSI sought to hold FIBIC, being the surety which secured Asiacrest's performance of its obligation, jointly and severally liable to the extent of the value of the performance bond of ₱727.5 million. On March 10, 2017, the Arbitral Tribunal rendered a final award in JSI's favor. On March 29, 2017, JSI moved for the issuance of a writ of execution with the CIAC.

On March 23, 2017, FIBIC filed a Petition for Review with application for the issuance of a Temporary Restraining Order (TRO) with the Court of Appeals (CA) which was granted on April 10, 2017 conditioned upon FIBIC posting a bond equivalent to the award adjudged against it in the Final Award of CIAC. On April 18, 2017 FIBIC moved to reduce the injunction bond to 1% of the amounts adjudged against it under the Final Award, which was opposed by JSI on May 2, 2017.

In the meantime, the CIAC ordered the issuance of a writ of execution against Asiacrest on May 8, 2017 and against FIBIC on June 13, 2017. On July 10, 2017 the CA granted the Motion of FIBIC to reduce the bond and thereafter, August 10, 2017, issued a TRO to enjoin the execution of the Final Award. The TRO expired on October 9, 2017. On November 29, 2017, the CA denied FIBIC's application for a writ of preliminary injunction.



On December 29, 2017, JSI received FIBIC's Petition for Certiorari with the Supreme Court (SC). FIBIC contests the resolution of the CA denying its application for a writ of preliminary injunction. This Petition for Certiorari was denied by the SC for failure of FIBIC to show any reversible error in the CA Resolution. On June 6, 2018, the SC's resolution became final and executory and recorded in the Book of Entries of Judgments. The CA, subsequently issued a Joint Decision on the merits of the Petition for Review of Asiacrest and FIBIC. The Joint Decision dismissing the said Petition for Review and affirmed the Final Award with some modifications (CA Decision). FIBIC filed a Petition for Certiorari in the SC assailing the CA Decision.

As of February 8, 2019, there is no court-issued TRO or writ of preliminary injunction which would serve to enjoin the execution of the Final Award, whether against Asiacrest or FIBIC. However, the Insurance Commission (IC) has placed FIBIC under conservatorship and on July 24, 2018 issued a Notice of Stay Order suspending all payment of claims against FIBIC effective August 3, 2018, except on prior approval by the IC or until further notice. Also, on January 21, 2019, CIAC issued an Order staying the execution of the CIAC Final Award against FIBIC during the effectivity of the Stay Order issued by the IC.

On June 26, 2019, the Company and JSI signed a deed of assignment, wherein JSI assigns, transfers and conveys unto the Company, on a non-recourse basis, all its rights, title and interest in and to the ACMC and FIBIC in partial payment of the Company's advances to JSI, to the extent of ₱514,706,196. As a result of the increased credit risk associated to ACMC, the Company provided an allowance for impairment losses on advances to a contractor amounting to ₱514,706,196 as at December 31, 2020.

#### MGPC's Petition for Interim Measure of Protection

On March 13, 2019, MGPC was involved in a legal case after receiving a "Notice of Seller Default" from Occidental Mindoro Electric Cooperative, Inc. (OMEKO) and, alleging therein that MGPC has failed to comply with its main obligation under the PSA for the supply of 20MW electricity.

As a result of OMEKO's threatened termination of the PSA, on June 10, 2019, MGPC filed a Petition for Interim Measure of Protection (Petition) with the Branch 67 of Regional Trial Court (RTC) of Pasig City in order to forestall the termination of the PSA. After trial, sans presentation by OMEKO of its testimonial evidence because it was not ready to present the same, the trial court denied the Petition on the ground that case is arbitrable and should observe the dispute resolution mechanism under the PSA between the parties, thus, MGPC filed a Motion for Reconsideration on the ground that pending any arbitration proceedings the trial court can exercise jurisdiction to grant interim measure of protection to prevent OMEKO from terminating the PSA, but the motion for reconsideration was denied per Order dated December 18, 2020. Unsatisfied, on January 28, 2021 MGPC filed Petition for Review under Rule 19 of A.M. No. 07-11-08-SC, otherwise known as the Special Rules of Court on Alternative Dispute Resolution with the Court of Appeals. Parties are waiting for an order from the Court of Appeals for respondent to file comment on the Petition.

#### MGPC's Petition for Indirect Contempt for Disobeying the Temporary Order of Protection (TOP) and Status Quo Order (SQO)

On December 4, 2019, MGPC filed a Petition for Indirect Contempt (Petition) against OMEKO for the latter's Competitive Selection Process (CSP) activities for its full load power requirement, which violates the TOP and SQO issued by Branch 67 of the Pasig City RTC.

After trial, the trial court denied the Petition on the ground that the conduct of the CSP by OMEKO is not included in the TOP and SQO, thus, MGPC filed a Motion for Reconsideration on February 05, 2021 but was denied per Order of the trial court dated March 04, 2021. MGPC will file its Petition for Certiorari due on May 14, 2021.

#### OMEKO's Petition for Certiorari and Prohibition

In October 2019, OMEKO filed with the Court of Appeals a Petition for Certiorari and Prohibition (Petition) praying for the following: i) nullifying and setting aside the Orders by the Pasig RTC Branch 67 for having been issued without jurisdiction and in blatant contravention to the provisions of Section 43 (u) and Section 78 of the EPIRA; and ii) prohibiting the Pasig RTC Branch 67 from conducting further proceeding in the Petition for Interim Measure of Protection filed by MGPC and/or from enforcing in whatever

manner the assailed Orders. On September 25, 2020, MGPC submitted its comment on the Petition, parties are awaiting court's order submitting the case for decision.

*TMC Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) Petitions*

TMC has a petition for review and application with BIR for the refund of excess input taxes amounting to a total of ₱100.0 million. In 2021 and 2020, TMC received check payment from BOC amounting to ₱4.9 million and ₱56.7 million, respectively.

*Petition for Declaration of Nullity of Provincial Ordinance No. 01-2017 Imposing Real Property Tax on Mining Area Covered by MPSA*

TMC filed the instant Petition to declare as null the Provincial Ordinance No. 01-2017 imposing Real Property Tax on mining area covered by MPSA of TMC for being beyond the taxing authority of the local government. Virtual trial is set April 29, 2021 since physical appearance in court is prohibited in view of the COVID-19 pandemic.

*Petition for Declaration of Nullity of Municipal Ordinance No. 2017-27 Increasing the Business Tax Imposed on Mining Companies from 1% of Gross Receipts to 2% of Gross Receipts*

This is Petition to declare the nullity of the Claver Municipal Ordinance No. 2017-27 which increased the local business tax imposed on mining companies from 1% to 2% of the gross receipts for being violative of Sections 130 and 191 of the Local Government Code. Section 191 expressly limits any increase in business tax rate to a maximum of 10% of the current tax rate every five (5) years. The total business taxes paid under protest by TMC is at ₱153.4 million collectively paid from 2018 to 2020.

*Petition to Recall SEP Clearance*

On December 14, 2014, the PCSD issued the SEP Clearance to RTN. However, in July 2019 the Environmental Legal Assistance Center, Inc filed a petition with PCSD to cancel the SEP Clearance, alleging that PCSD's issuance of the SEP Clearance violated the SEP Law , EO 23 and EO 79 and the RTN Project in Mt. Bulanjao has an adverse impact on the environment. After the parties submit their respective Memoranda, the case is now submitted for resolution by the PCSD.

*Action for Declaration of Nullity of Dinagat Island Provincial Ordinance No. 08-058 Imposing Soil Depletion Tax*

CMC filed the instant case with Surigao City Regional Trial Court Branch 32, seeking the nullification of Provincial Ordinance No. 08-058 imposing soil depletion tax for being invalid as it is beyond the authority of the provincial government or any LGU to impose soil depletion tax since it is in the nature of an excise tax. This is a limitation on the taxing powers of LGUs expressly provided under Section 133 (h) of the Local Government Code. The case is now archived per Order from the court dated May 16, 2019, as of this date, parties have yet to receive any Order from the court to reactivate the case.

*Collection for Sum of Money for Payment of Soil Depletion Tax under Dinagat Island Provincial Ordinance No. 08-058*

This is a collection for sum of money case filed by the Province of Dinagat Islands against CMC for payment of the soil depletion tax under Ordinance No. 08-58 for the period June 15, 2009 to October 8, 2014 in the aggregate amount of ₱174.8 million. The case is now archived per Order from the court dated September 18, 2019, as of this date, parties have yet to receive any Order from the court to reactivate the case.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters covered under this item submitted in 2020 to the security holders for a vote.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### A. MARKET INFORMATION

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

	High	Low
<b>2018</b>		
1 <sup>st</sup> Quarter	₱3.83	₱3.27
2 <sup>nd</sup> Quarter	₱3.44	₱2.53
3 <sup>rd</sup> Quarter	₱3.06	₱2.33
4 <sup>th</sup> Quarter	₱2.80	₱1.94
<b>2019</b>		
1 <sup>st</sup> Quarter	₱2.88	₱2.22
2 <sup>nd</sup> Quarter	₱2.58	₱2.09
3 <sup>rd</sup> Quarter	₱4.90	₱2.16
4 <sup>th</sup> Quarter	₱4.19	₱2.89
<b>2020</b>		
1 <sup>st</sup> Quarter	₱3.21	₱1.36
2 <sup>nd</sup> Quarter	₱1.95	₱1.36
3 <sup>rd</sup> Quarter	₱3.36	₱1.70
4 <sup>th</sup> Quarter	₱5.60	₱2.98

The share price of the Parent Company’s stocks was at ₱5.50 per share as of March 11, 2021.

#### B. HOLDERS

The Company has 95 shareholders as of the end of 2020, with 13,630,850,117 common shares issued and outstanding. The top 20 stockholders of the Company as at December 31, 2020 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	7,364,455,377	54.03%
Sumitomo Metal Mining Philippine Holdings Corporation (SMMPH)	Filipino	2,600,384,267	19.08%
PCD Nominee Corporation (Non-Filipino)	Foreign	2,286,383,335	16.77%
Nonillion Holding Corp.	Filipino	1,296,000,000	9.51%
Gerard H. Brimo	Filipino	26,641,344	00.20%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	Filipino	20,880,000	00.15%
Sze Kou For or Sze Wing Wah Eric	Chinese	12,000,000	0.09%
Ricardo Sy Po or Angelita Tan Po or Leonardo Arthur Tan Po	Filipino	8,508,377	00.06%
Philip T. Ang	Filipino	2,910,103	00.02%
Ronaldo B. Zamora	Filipino	2,340,403	00.02%
Megastar Real Estate Corporation	Filipino	2,340,000	00.02%
Koh Teng Ong Chong	Filipino	1,967,040	00.01%
Rolando R. Cruz	Filipino	1,106,914	00.01%
Eva Policar-Bautista	Filipino	658,123	00.00%
Jose B. Anievas	Filipino	573,750	00.00%
Steven Ivan Lim Yu	Filipino	523,530	00.00%
Josephine Chua Lim	Filipino	457,200	00.00%
RMJ Development Corporation	Filipino	405,000	00.00%

Name	Citizenship	Shares	% of Ownership
Ludwig Henrich Alfred Maulbecker	German	350,000	00.00%
Willy O. Dizon or Nene C. Dizon	Filipino	270,000	00.00%

### C. DIVIDENDS

The following tables show the dividends declared and paid to common shareholders for the years ended December 31, 2019, 2018 and 2017:

#### Cash Dividends

Year	Date			Per Share		Total Declared (in millions)
	Declared	Record	Payable	Before the Stock Dividends	After the Stock Dividends	
2020	August 7, 2020	August 24, 2020	September 4, 2020	₱0.22	₱0.22	₱2,998.8
2020	March 13, 2020	March 27, 2020	April 8, 2020	0.08	0.08	1,090.6
2019	March 14, 2019	March 28, 2019	April 12, 2019	0.07	0.07	957.2
2018	August 28, 2018	September 11, 2018	September 27, 2018	0.30	0.17	2,280.9
2018	March 14, 2018	March 28, 2018	April 10, 2018	0.12	0.07	912.4

#### Stock Dividends

Year	Date			%	No. of Shares (in millions)	Total Declared (in millions)
	Approved	Record	Issued			
2018	October 9, 2018	October 23, 2018	November 20, 2018	80	7,602.9	₱3,041.2

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

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

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

### D. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

No unregistered securities were sold in 2020.

## Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

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

### Summary Financial Information

The Consolidated Financial Statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 are hereto attached.

The following tables set forth the summary financial information for the three (3) years ended December 31, 2020, 2019 and 2018 and as at December 31, 2020, 2019 and 2018:

	Summary of Consolidated Statements of Income						
	For the Years Ended December 31			Horizontal Analysis			
	2020	2019	2018	Increase (Decrease)			
	(In Thousand Pesos)			2020 vs 2019	%	2019 vs 2018	
Revenue	₱21,771,581	₱17,923,294	₱18,647,672	₱3,848,287	21.47%	(₱724,378)	-3.88%
Costs	(8,161,793)	(7,815,156)	(7,449,833)	346,637	4.44%	365,323	4.9%
Operating expenses	(5,692,925)	(4,867,354)	(5,106,769)	825,571	16.96%	(239,415)	-4.69%
Finance income	238,293	405,598	354,803	(167,305)	-41.25%	50,795	14.32%
Finance expense	(274,502)	(343,655)	(245,625)	(69,153)	-20.12%	98,030	39.91%
Equity in net income of associates	190,447	10,383	348,168	180,064	1,734.22%	(337,785)	-97.02%
Other income (charges) - net	(263,209)	168,824	(217,001)	432,033	255.91%	385,825	177.8%
Provision for income tax	(2,318,850)	(1,655,506)	(2,108,475)	663,344	40.07%	(452,969)	-21.48%
Net income	₱5,489,042	₱3,826,428	₱4,222,940	₱1,662,614	43.45%	(₱396,512)	-9.39%
Net income attributable to:							
Equity holders of the Parent	₱4,068,732	₱2,684,969	₱3,008,057	₱1,383,763	51.54%	(₱323,088)	-10.74%
Non-controlling interests	1,420,310	1,141,459	1,214,883	278,851	24.43%	(73,424)	-6.04%
	₱5,489,042	₱3,826,428	₱4,222,940	₱1,662,614	43.45%	(₱396,512)	-9.39%

	Summary of Consolidated Statements of Financial Position						
				Horizontal Analysis			
	2020	2019	2018	Increase (Decrease)			
	(In Thousand Pesos)			2020 vs 2019	%	2019 vs 2018	
Current assets	₱22,011,970	₱22,023,257	₱20,980,750	(₱11,287)	-0.05%	₱1,042,507	4.97%
Noncurrent assets	26,901,320	26,238,696	25,051,757	662,624	2.53%	1,186,939	4.74%
Total assets	₱48,913,290	₱48,261,953	₱46,032,507	₱651,337	1.35%	₱2,229,446	4.84%
Current liabilities	₱10,944,323	₱9,920,481	₱9,866,090	₱1,023,842	10.32%	₱54,391	0.55%
Noncurrent liabilities	3,372,178	3,210,211	2,715,587	161,967	5.05%	494,624	18.21%
Non-controlling interests	3,554,393	3,761,230	3,786,123	(206,837)	-5.5%	(24,893)	-0.66%
Equity attributable to equity							
Holders of the Parent	31,042,396	31,370,031	29,664,707	(327,635)	-1.04%	1,705,324	5.75%
Total liabilities and equity	₱48,913,290	₱48,261,953	₱46,032,507	₱651,337	1.35%	₱2,229,446	4.84%



	<b>For the Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(In Thousand Pesos)</b>		
Net cash flows from (used in):			
Operating activities	₱8,781,997	₱5,837,598	₱4,828,878
Investing activities	(2,858,175)	(1,573,145)	857,410
Financing activities	(5,845,963)	(2,892,789)	(4,686,750)
Net increase in cash and cash equivalents	77,859	1,371,664	999,538
Cash and cash equivalents, beginning	11,943,128	10,784,369	9,635,514
Effect of exchange rate changes in cash and cash equivalents	(185,786)	(212,905)	149,317
Cash and cash equivalents, end	₱11,835,201	₱11,943,128	₱10,784,369

## **RESULTS OF OPERATIONS**

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

#### *Revenues*

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

#### *Sale of Ore*

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

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

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

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

The Rio Tuba mine accounted for 28% of total shipments, consist of 1.98 million WMT of saprolite ore and 3.03 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.00 million WMT. The comparable figures for last year were 1.45 million WMT and 3.43 million WMT or a total of 4.88 million WMT.

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

The realized Peso/U.S. dollar exchange rate for ore sales was ₱49.15 in 2020 compared to ₱51.72 in 2019.

#### *Sale of Limestone*

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

#### *Sale of Quarry Materials*

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

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

The Group's revenue from services and others declined by 8% to ₱629.5 million from ₱681.7 million following the 4% decrease in the materials handled by RTN for CBNC. Services revenue largely consists of payments made in consideration for hauling, manpower and other ancillary services that RTN and TMC provide to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

#### *Sale of Power*

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

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

#### Costs

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

#### *Cost of Sales*

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

#### *Cost of Services*

Cost of services fell by 1% to ₱328.6 million from ₱331.8 million. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC.

#### *Cost of Power Generation*

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

#### Operating Expenses

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

#### *Excise Taxes and Royalties*

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

### *Shipping and Loading Costs*

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

### *General and Administrative*

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

### *Marketing*

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

### *Finance Income*

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

### *Finance Expenses*

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

### *Equity in Net Income of Associates*

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

### *Other Income (Charges) - Net*

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

### *Provision for Income Tax - Net*

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

### *Net Income*

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

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

### **Revenues**

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

### **Sale of Ore**

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

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

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

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

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

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

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

The realized Peso/U.S. dollar exchange rate for ore sales was ₱51.72 in 2019 compared to ₱53.00 in 2018.

### **Sale of Limestone**

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

### **Sale of Quarry Materials**

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

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

The Group's revenue from services and others improved by 9% to ₱681.7 million from ₱627.7 million. Services revenue largely consists of payments made to the Company in consideration for hauling, manpower and other ancillary services that RTN and TMC provide to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

#### *Sale of Power*

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

#### Costs

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

#### *Cost of Sales*

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

#### *Cost of Services*

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

#### *Cost of Power Generation*

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

#### Operating Expenses

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

#### *Excise Taxes and Royalties*

NAC's excise taxes and royalties was down by only 1% to ₱1,787.3 million from ₱1,804.0 million which was triggered mainly by lower volume and value of shipments in the current year.

#### *Shipping and Loading Costs*

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

#### *General and Administrative*

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

#### *Marketing*

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

#### Finance Income

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



#### Finance Expenses

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

#### Equity in Net Income of Associates

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

#### Other Income (Charges) - Net

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

#### Provision for Income Tax - Net

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

#### Net Income

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

### **Calendar year ended December 31, 2018 compared with calendar year ended December 31, 2017**

#### Revenues

NAC's total revenues in 2018 was ₱18,647.7 million, higher by ₱2,908.4 million or 18% compared to ₱15,739.3 million in 2017.

#### Sale of Ore

The increase in shipment volume was mainly the result of higher ore export sales which, combined with an improvement in average realized ore prices and a more favorable Peso to U.S. dollar exchange rate, resulted to an increase in the Group's value of shipments by 20% to ₱17,294.3 million from ₱14,434.8 million.

Of the total volume of ore shipped, direct export of ore, which accounted for 60% of total shipments, rose to 11.54 million WMT from 9.64 million WMT in 2017. On the other hand, ore deliveries to both the Coral Bay and Taganito processing plants, which accounted for the balance, decreased to 7.81 million WMT as compared to 8.06 million WMT in 2017.

In terms of price, the Group realized an average of \$5.95 per pound of payable nickel on its shipments of ore to the two (2) HPAL plants in 2018, the pricing of which is linked to the LME. This compares to an average price of \$4.67 per pound of payable nickel sold in 2017. With respect to export sales, the Group achieved an average price of \$21.53 per WMT compared to \$24.42 realized in the prior year. On a combined basis, the average price received for sales of both ore exports and ore deliveries to the two (2) plants in 2018 was \$16.86 per WMT, higher than the \$16.17 achieved in 2017.

On a per mine basis, the Group's Taganito mine accounted for 46% of total shipments during the year. The mine shipped 4.01 million WMT of saprolite ore and 4.80 million WMT of limonite ore, of which 4.25 million WMT were delivered to the Taganito HPAL plant, or a total combined shipment of 8.81 million WMT. The comparable figures for last year were 3.05 million WMT of saprolite ore and 4.59 million WMT of limonite ore delivered to the Taganito HPAL plant, or a combined shipment of 7.64 million WMT.

The Rio Tuba mine accounted for 30% of total shipments, which consisted of 2.20 million WMT of saprolite ore and 3.55 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.75 million WMT. The comparable figures for last year were 2.12 million WMT of saprolite ore, 3.47 million WMT of limonite ore to the Coral Bay HPAL plant and 0.17 million WMT of limonite ore to Chinese customers or a total of 5.76 million WMT.

Shipments from the Group's Hinatuan mine amounted to 2.15 million WMT in 2018 compared to 2.45 million WMT in 2017. On the other hand, the Cagdianao mine shipped 2.64 million WMT in 2018 versus 1.85 million WMT in 2017.

The realized Peso/U.S. dollar exchange rate for ore sales was ₱53.00 in 2018 compared to ₱50.42 in 2017.

#### *Sale of Limestone*

Rio Tuba's revenue from sale of limestone slightly went down to ₱447.3 million in 2018 compared to ₱462.3 million in 2017.

#### *Services and Others*

The Group's revenue from services and others slightly dropped to ₱627.7 million from ₱630.1 million. Services revenue largely consists of payments made to the Company in consideration for hauling, manpower and other ancillary services that RTN and TMC provide to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

#### *Sale of Power*

Sale of power jumped by 31% to ₱278.4 million from ₱212.2 million since JSI, a subsidiary of EPI, generated 42,986 MWh of energy in 2018 compared to 39,161 MWh in 2017. The increase in its production was mainly due to the completion of the 32MW capacity in March 2017. Moreover, the diesel power plant of NAC in Surigao started to operate the first of the three (3) generator sets in June 2018 and the second one in December 2018; thus, additional revenue from power generation activities were recognized. The sale of power in 2018 also includes the CRF billed to SURNECO based on the 2/3 contracted capacity of the plant which was equivalent to two (2) generator sets running.

#### Costs

The Group's costs went up by 13% or ₱850.6 million, from ₱6,599.2 million to ₱7,449.8 million.

#### *Cost of Sales*

The Group's cost of sales increased by 12% to ₱6,771.0 million in 2018 compared to ₱6,033.2 million in 2017 due to a hike in diesel prices, which rose by an average of ₱10.00/liter, plus higher consumption during the year, increase in cost of outsourced labor for non-core services and contractor's fee, higher operating and maintenance cost of the conveyors, more equipment rental and increase in materials moved in CMC.

#### *Cost of Services*

Cost of services grew by 3% to ₱318.3 million from ₱308.7 million. The increase in cost of services was attributable mainly to the absorption of manpower from the contractors; increase in share in fixed cost, from 3% to 6%; and hike in fuel prices, which rose by an average of ₱10.00/liter.

#### *Cost of Power Generation*

Cost of power generation climbed by 40% to ₱360.6 million from ₱257.3 million mainly on account of JSI's higher lease on land and building. In addition, the diesel power plant in Surigao started to operate its two (2) generator sets in 2018; thus, fuel consumption of the plant increased during the year.

#### Operating Expenses

The Group's operating expenses amounted to ₱5,106.8 million in 2018 compared to ₱3,832.4 million in 2017, an increase of ₱1,274.4 million, or 33%.

#### *Excise Taxes and Royalties*

NAC's excise taxes and royalties jumped 63% to ₱1,804.0 million from ₱1,103.7 million. Aside from the impact of the Tax Reform for Acceleration and Inclusion (TRAIN) law which increased the excise tax rate from 2% to

4% effective January 1, 2018, the higher volume and value of shipments triggered the significant jump in the account.

#### *Shipping and Loading Costs*

Shipping and loading costs grew by 10% due to the combined effects of more LCTs chartered earlier during the year, increase in the number of shipments from 203 vessels in 2017 to 236 vessels in 2018 and higher stevedoring and wharfage charges as a result of increase in shipment volume.

#### *General and Administrative*

General and administrative expenses rose by 41% from ₱863.2 million to ₱1,213.0 million in 2018 and this was driven by higher business taxes paid as a result of a higher income base in 2017 than 2016, payment of ₱8.0 million real property tax for the diesel power plant, higher documentary stamp tax (DST) on shipment remittances and other collections caused by the implementation of the TRAIN law, payment of DST on 80% stock dividends issued by the Parent Company and on other issuances of capital stock of the Group and payment of SEC filing fees for the extension of RTN's corporate life and for the increase in CMC's authorized capital stock. Personnel cost also rose by 51% due to the hiring of new employees (particularly officers/managers), annual increase in employee rates and/or benefits and accrual of the new stock option plan.

#### *Marketing*

Marketing costs went up by 45% from ₱96.5 million to ₱140.2 million in 2018 which was driven by the increase in the Group's sales revenue in 2018 compared with 2017. Also, the commission paid by CMC to its claim owner and the marketing fees paid to Mitsubishi Corporation are computed based on a certain percentage of sales revenue.

#### Finance Income

The Group's finance income went up by 17% to ₱354.8 million from ₱302.0 million which arose mainly from higher interest income from short-term cash placements.

#### Finance Expenses

The Group's finance expenses dropped by 15% to ₱245.6 million from ₱289.3 million due to the prepayment by EPI of half of its principal bank loans in September 2017.

#### Equity in Net Income of Associates

The Group's equity in net income of THNC and CBNC rose from ₱198.0 million to ₱348.2 million. Profitable operations of its associates were achieved as a result of higher nickel and cobalt LME prices. Cobalt is a by-product of the processing plants of THNC and CBNC. The favorable peso to U.S. dollar exchange rate also contributed to the significant increase in its equity from associates.

#### Other Income (Charges) - Net

NAC's other income - net went down by 399% to ₱217.0 million charges from ₱72.6 million income. In 2018, the Group prudently set aside ₱514.9 million provision for impairment losses for the uncollected advances made by JSI to the contractor for the construction of its solar power facility in Subic Bay Freeport Zone. However, this was partially offset by the depreciation of the Philippine peso against the U.S. dollar which led to the increase in foreign exchange gains by ₱282.5 million.

#### Provision for Income Tax - Net

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

#### Net Income

As a result of the foregoing, NAC's consolidated net income was ₱4,222.9 million in 2018 compared to ₱3,854.1 million in 2017. Net of non-controlling interests, its net income was ₱3,008.1 million in 2018, which was higher by 9% compared to ₱2,770.8 million in 2017.

## **FINANCIAL POSITION**

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

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

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

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

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

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

NAC's equity net of non-controlling interests as at December 31, 2020 slightly improved by 1% to ₱31,042.4 million due to continued profitable operations net of cash dividends paid.

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

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

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

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

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

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

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

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

### **Calendar year as at December 31, 2018 and 2017**

As at December 31, 2018, NAC's total assets slightly climbed to ₱46,032.5 million from ₱45,737.1 million as of the end of 2017.

Current assets slightly went up to ₱20,980.7 million from ₱20,898.4 million following the increase in its receivables from customers by ₱98.6 million, current portion of loan receivable by ₱52.0 million, inventories by ₱241.9 million, and prepayments and other current assets by ₱235.0 million. However, the increase was partially offset by the disposal of one of its portfolio investments managed by an offshore bank.

Noncurrent assets improved by 1% from ₱24,838.7 million to ₱25,051.8 million propelled by the 20% growth in our investments in THNC and CBNC as a result of improved nickel and cobalt LME prices. However, the increase was partially offset by the application of 50% commission and royalties payable against the loan receivable from East Coast and reduction in the capitalized cost of mine rehabilitation and decommissioning.

Current liabilities rose by 3% to ₱9,866.1 million from ₱9,614.4 million due to the ₱180.6 million increase in income tax payable owing to the higher taxable income in 2018 compared to 2017.

Noncurrent liabilities slid by 6% to ₱2,715.6 million from ₱2,904.5 million due to the reduction in the capitalized cost of mine rehabilitation and decommissioning by ₱128.3 million and reclassification of the current portion of long-term debts amounting to ₱60.6 million.

NAC's equity net of non-controlling interests as at December 31, 2018 slightly improved by 1% to ₱29,664.7 million due to continued profitable operations and recognition of additional gains from valuation of financial assets as a result of PFRS 9 adoption net of cash dividends paid.

## **CASH FLOWS**

### **Calendar years ended December 31, 2020, 2019 and 2018**

Net cash flows from operating activities in 2020 amounted to ₱8,782.0 million compared to ₱5,837.6 million in 2019 and ₱4,828.9 million in 2018. In 2020, proceeds from sale of ore were higher than 2019 and 2018 because of higher prices for its ore exports.

Cash from or used in investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets pertaining to debt and equity securities. In 2020 and 2019, the Parent Company's net acquisitions of debt and equity securities amounted to ₱813.2 million and ₱103.8 million, respectively, and the net acquisitions of property and equipment were ₱2,130.6 million and ₱1,250.5 million, respectively. In addition, the Group issued loans amounting to ₱543.8 million in 2019. Due to these, cash flows used in investing activities amounted to ₱2,787.0 million in 2020 and ₱1,573.1 million in 2019. In 2018, the Parent Company received cash amounting to ₱1,581.2 million following the disposal of one of its investment portfolio managed by a foreign bank, and the Group's spending for capital expenditures was lower at ₱1,059.2 million compared to the succeeding years. As a result, in 2018 the Group has cash inflow from investments of ₱857.4 million.

Cash used in financing activities were spent mainly for payments of cash dividends, short-term and long-term debts plus the related interest which amounted to a total of ₱7,431.3 million, ₱4,214.6 million and ₱6,170.1 million in 2020, 2019 and 2018, respectively. Cash dividends paid in 2020 and 2018 were higher compared to 2019 due to the special cash dividends declared on those years. However, these payments were partially offset by the proceeds from bank loans amounting to ₱1,489.0 million in 2020 and ₱1,488.9 million in 2019 and 2018.

As at December 31, 2020, 2019 and 2018, cash and cash equivalents amounted to ₱11,835.2 million, ₱11,943.1 million and ₱10,784.4 million, respectively.

## **TOP FIVE KEY PERFORMANCE INDICATORS**

### **1) SALES VOLUME**

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

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

NAC realizes higher sales prices for saprolite ore than for limonite ore. Accordingly, the type and grade (which is a factor of nickel content) of the ore that the Group mines affects its revenues from year to year. The quantity of saprolite ore that it mines annually depends on the customer demand and the availability of such ore at its mine sites. The mix between high-and low-grade saprolite ore at the Group's mine sites coupled with its long-term mining plan determines the quantities of each that it extracts on an annual basis. The quantity of limonite ore that it mines on an annual basis depends on the amount of such ore that needs to be removed in order to extract the saprolite ore, as well as market demand.

In 2020 and 2019, NAC sold an aggregate of 18.20 million WMT and 18.84 million WMT, respectively.

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

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

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

The average total cost per volume sold in 2020 is ₱690.79 per WMT on the basis of aggregate cash costs of ₱12,574.9 million and a total sales volume of 18.20 million WMT of ore. This compares to ₱609.65 per WMT in 2019 on the basis of aggregate cash costs of ₱11,483.1 million and a total sales volume of 18.84 million WMT of ore.

### **3) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit or loss for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱4,068.7 million in 2020 compared to ₱2,685.0 million in 2019.

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

NAC adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. In 2018, the DENR, through the issuance of DAO 2018-19, prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines and provides limits of maximum disturbed areas for nickel mines depending on the scale of their mining



operations. The DAO also requires that temporary revegetation be immediately implemented on the disturbed areas. All NAC operating companies are well within the norm of the DENR which is 26 hectares per million WMT sold. In 2020 and 2019, the open hectares per million WMT sold was 15.29 and 16.63, respectively.

**5) FREQUENCY RATE**

Health and safety are integral parts of the Group’s personnel policies. Its comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to its operations. The Group measures its safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2020 and 2019, NAC’s frequency rate is 0.05 and 0.23, respectively.

**OFF-BALANCE SHEET ARRANGEMENTS**

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company, solidarily with EPI, guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI’s obligations to SBC (see Note 15 to the Consolidated Financial Statements).

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.

**Item 7. FINANCIAL STATEMENTS**

The audited financial statements are presented in Part V, Exhibits and Schedules.

**Item 8. INFORMATION ON INDEPENDENT ACCOUNTANTS AND OTHER RELATED MATTERS**

NAC’s consolidated financial statements have been audited by SyCip Gorres Velayo & Co. (SGV & Co.), a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

Mr. Jaime F. del Rosario is the Group’s current audit partner. NAC has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

Audit and Audit-Related Fees

For the years 2020, 2019 and 2018, SGV & Co. was engaged primarily to express an opinion on the financial statements of the Parent Company and its subsidiaries.

Non-Audit Services Fees

Non-audit services fees pertain to fees paid to SGV & Co. for the tax advisory, transfer pricing study and seminar fees.

The following table sets out the aggregate fees incurred in 2020 and 2019 for professional services rendered by SGV & Co.:

	2020	2019
	<i>(In Thousands)</i>	
Audit and Audit-Related Services	₱15,817	₱16,086
Non-Audit Services	2,685	825
<b>Total</b>	<b>₱18,502</b>	<b>₱16,911</b>

**Audit Committee's Approval of Policies and Procedures**

Prior to the commencement of the year-end audit work, SGV & Co. present their program and schedule to the Company's Audit Committee, which include discussion of issues and concerns regarding the audit work to be done. At the completion of the audit works, the Group's audited financial statements for the year are likewise presented by SGV & Co. to the Audit Committee for committee approval and endorsement to the BOD for final approval. The Audit Committee pre-approve the terms of the annual audit services engagement. They also approve, if necessary, any changes in terms resulting from changes in audit scope.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

#### A. LIST OF DIRECTORS, EXECUTIVE OFFICERS AND COMMITTEES OF THE ISSUER

The BOD is principally responsible for the Company's overall direction and governance. The Company's Articles of Incorporation provide for nine (9) members of the BOD, who shall be elected by the stockholders. At present, two (2) of the Company's nine (9) directors are independent directors. The BOD holds office for one (1) year and until their successors are elected and qualified in accordance with the by-laws.

#### DIRECTORS

The following are the present directors of the Company:

Name	Age	Citizenship	Position	Date First Elected	Date Last Elected	No. of Years served as Director
Gerard H. Brimo	69	Philippine National	Executive Director, Chairman of the Board of Directors	August 1, 2009	July 17, 2020	11 years and 5 months
Philip T. Ang	79	Philippine National	Executive Director and Vice Chairman	July 11, 2008	July 17, 2020	12 years and 5 months
Martin Antonio G. Zamora	48	Philippine National	Executive Director, President and Chief Executive Officer (CEO)	June 16, 2010	July 17, 2020	8 years and 5 months
Luis J. L. Virata	67	Philippine National	Non-Executive Director	July 11, 2008	July 17, 2020	12 years and 5 months
Masahiro Kamiya	61	Japanese National	Non-Executive Director	August 7, 2018	July 17, 2020	1 year and 4 months
Hiroshi Yoshida	56	Japanese National	Non-Executive Director	July 4, 2020	July 17, 2020	5 months
Maria Patricia Z. Riingen	55	Philippine National	Non-Executive Director	May 20, 2019	July 17, 2020	1 year and 7 months
Frederick Y. Dy	65	Philippine National	Independent Director	September 24, 2010	July 17, 2020	10 years and 3 months
Angelo Raymundo Q. Valencia	53	Philippine National	Independent Director	May 8, 2020	July 17, 2020	7 months

Mr. Philip T. Ang is a majority shareholder of Ni Capital Corporation.

Certain information on the business and working experience of the Company's Directors and Executive Officers is set out below:

**GERARD H. BRIMO** is the Chairman of the Board of Directors of the Company since August 7, 2018. He is a member of the Corporate Governance Committee of the Company. He is also the Chairman of the Board of Directors of all of the Company's subsidiaries and an Independent Director of Security Bank Corporation and Commonwealth Foods, Inc. Prior to his career in mining, he worked for Citibank for eight years, and was a Vice President in the bank's Capital Markets Group in Hong Kong prior to joining Philex Mining Corporation as Vice President -Finance. Mr. Brimo served as Chairman and Chief Executive Officer of Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995 to 2003. He was

again elected Chairman in 2017, a position he currently holds. He received his Bachelor of Science degree in Business Administration from Manhattan College, USA and his Master of Business Management degree from the Asian Institute of Management.

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

**MARTIN ANTONIO G. ZAMORA** is the President and Chief Executive Officer of the Company and President of all the subsidiaries of the Company. Before joining NAC in 2007, Mr. Zamora was the Philippine Country Manager and a Director of UPC Renewables, a global developer, owner and operator of wind farms and solar facilities. Prior to that, he worked for ten (10) years for finance and investment banking firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SGV & Co. He received his Bachelor of Science in Management from Ateneo de Manila University (Philippines), his MBA from London Business School (UK), and his Masters in Organizational Psychology from INSEAD.

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

**MARIA PATRICIA Z. RIINGEN** was first elected as a Director of the Company on May 20, 2019. She is the President of Manta Equities, Inc and Manta Foundation, Inc and a Director of Mantra Resources, Inc. Prior thereto, she held various positions with the Western Union Company, and was the Senior Vice President and Regional Head for Asia Pacific. Her other previous roles were as Executive Director and a member of the Board of Directors at the Asian Development Bank, Vice President at Citibank N.A., and Brand Manager of Procter & Gamble. She is a member of the Young President's Organization (YPO). She was among Asia's Top 20 People in Cash Management selected by Finance Asia in 2011 for being one of the region's most influential power players and up-and-coming executives in the cash management industry. In 2013, Ms. Riingen was recognized as one of the 100 Most Influential Filipinas in the World for her accomplishments as a Filipina senior executive working in a global company. In the same year, she received the Pinnacle Group's CSR Award for spearheading a range of initiatives for better access to financial services in the Philippines. Ms. Riingen obtained her Bachelor of Science degree in Business Administration, major in Marketing, magna cum laude, from the University of the Philippines.

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

**HIROSHI YOSHIDA** was first elected as a Director of the Company on 17 July 2020. He is an Executive Officer of SMM, currently holding the position of Senior Deputy General Manager of Non-Ferrous Metals Division. He began his career with SMM in 1987 and occupied the following positions prior to assuming his current post from June 2018: Manager of Corporate Planning Department (July 2004 to November 2007), Manager of Overseas Project Department of Non-Ferrous Metals Division (December 2007 to September 2009), Deputy General Manager of Administration Department of Taganito Project Division (October 2009 to December 2010), Treasurer of Taganito HPAL Nickel Corporation (January 2011 to February 2015), Deputy General Manager of Corporate Planning Department (March 2015 to May 2016) and General Manager of Corporate Planning Department (June 2016 to May 2018). He received his Bachelor in Economics from Gakushuin University in Tokyo, Japan.

**FREDERICK Y. DY** is an Independent Director of the Company, Chairman of the Audit Committee and a Member of the Related Party Transactions, Board Risk Oversight and Corporate Governance Committees of the Board. Mr. Dy is also the Chairman Emeritus of SBC, the Chairman of City Industrial Corporation, the Chairman of St. Luke’s Medical Center, a Trustee of St. Luke’s College of Medicine, and a Director of Ponderosa Leather Goods Company, Inc. He received his Bachelor of Science degree in Industrial Engineering from Cornell University, USA.

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

**EXECUTIVE OFFICERS**

The Company’s Executive Officers, together with its Executive Directors, are responsible for its day-to-day management and operations. The following table sets forth information regarding the Company’s Executive Officers.

Name	Age	Citizenship	Position as of December 31, 2020	Position as of January 1, 2021
Jose B. Anievas	76	Philippine National	Senior Vice President - Chief Operating Officer/Chief Risk Officer	Senior Vice President, Chief Operating Officer, Chief Risk Officer and Head of Revenue Generation Group of Mining Business (until March 31, 2021)
Emmanuel L. Samson	61	Philippine National	Senior Vice President - Chief Financial Officer, Corporate Governance Officer (until December 31, 2020)	N/A

Name	Age	Citizenship	Position as of December 31, 2020	Position as of January 1, 2021
Georgina Carolina Y. Martinez	54	Philippine National	Senior Vice President – Compliance and Corporate Services, Assistant Corporate Secretary, Compliance Officer	Senior Vice President, Chief Compliance Officer, Chief Governance Officer, Assistant Corporate Secretary, and Head of Compliance and Corporate Support Services
Maria Angela G. Villamor	55	Philippine National	Vice President - Internal Audit, Chief Audit Executive (until April 30, 2020), Vice President – Group Controllership (May 1 to December 31, 2020)	Senior Vice President, Chief Financial Officer and Head of Finance and Revenue Management Group
Aloysius C. Diaz	72	Philippine National	Vice President – Operations	Vice President and Head of Production Operations Sector for TMC, CMC and DMC (until March 31, 2021) Senior Vice President for Production (April 1, 2021 to present)
Jose Bayani D. Baylon	58	Philippine National	Vice President - Corporate Communications	Officer-in-Charge of Public and Social Affairs Group and Head of Corporate Communications Sector
Rommel L. Cruz	57	Philippine National	Vice President - Operations	Vice President and Head of Production Operations Sector for RTN and HMC (until March 31, 2021) Vice President for Operations in charge of DMC, HMC-Manicani Nickel Project and CDTN (April 1, 2021 to present)
Rolando R. Cruz	60	Philippine National	Vice President for Project Development and Research	Officer-In-Charge of Strategic Development and Growth Group Head of Research and Technology Sector, Innovations Sector, and Corporate Special Projects Sector
Koichi Ishihara	47	Japanese National	Vice President - Marketing and Purchasing	Vice President and Head of Sales Sector, Head of Purchasing and Supply Chain Management Sector
Michio Iwai	69	Japanese National	Vice President	Head of Geologic Resources Management Sector
Gerardo Ignacio B. Ongkingco	62	Philippine National	Vice President - Human Resources Data Protection Officer	Vice President and Head of Human Resources Sector, Data Protection Officer



Name	Age	Citizenship	Position as of December 31, 2020	Position as of January 1, 2021
Romeo T. Tanalgo	59	Philippine National	Vice President – Security and Government Relations	Vice President and Officer-in-Charge of Risk and Assurance Group, Head of Security Sector, Head of Administrative Services Sector, Head of Risk Management Sector, Chief Risk Officer (April 1, 2021 to present)
Barbara Anne C. Migallos	65	Philippine National	Corporate Secretary	Corporate Secretary
Rogel C. Cabauatan	62	Philippine National	Assistant Vice President – Community Relations and Environment	Assistant Vice President, Head of Community Relations Sector, and Head of Environment Sector
Jeffrey B. Escoto	45	Philippine National	Assistant Vice President – Technical Services	Assistant Vice President and Head of Technical Services Sector
Patrick S. Garcia	47	Philippine National	Assistant Vice President – Internal Audit and Chief Audit Executive (effective May 1, 2020)	Assistant Vice President – Internal Audit and Chief Audit Executive
Marnelle A. Jalandoon	50	Philippine National	Assistant Vice President – Management Information Systems	Assistant Vice President and Head of MIS Department and IT Department
Ryan Rene C. Jornada	42	Philippine National	Assistant Vice President – Government Relations	Assistant Vice President and Head of Public Affairs Sector
Iryan Jean U. Padillo	39	Philippine National	Assistant Vice President – Finance	Assistant Vice President and Head of Accounting and Financial Reporting Sector
Christopher C. Fernandez	57	Philippine National	-	Vice President and Head of Information and Communications Technology Sector
Rodrigo V. Gazmin, Jr.	60	Philippine National	-	Assistant Vice President – Purchasing and Supply Chain Management

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

**MANUEL B. ZAMORA JR.** is the Chairman Emeritus of the Board since 7 August 2018 and was Chairman of the Board from 11 July 2008 until 6 August 2018. Mr. Zamora is the founder of the Company. He was Chairman of the Chamber of Mines of the Philippines. Mr. Zamora is a lawyer and a member of the Integrated Bar of the Philippines. He placed third in the 1961 Bar Examinations after receiving his Bachelor of Laws degree from the University of the Philippines.

**JOSE B. ANIEVAS** was the Senior Vice President for Operations, Chief Operating Officer and Chief Risk Officer of the Company, and was designated as Head of Revenue Generation Group for Mining Business effective January 1, 2021 until his retirement on March 31, 2021. He started working with TMC in 2009 as its Resident Mine Manager and later as its Vice President for Operations. He has worked with the mining industry for more than fifty (50) years, thirty-seven (37) years with Philex Mining Corporation and Philex Gold Philippines as its Vice President for Operations until his retirement in December 2002, four (4) years as a freelance mining engineer, two (2) years with Carrascal Nickel Corporation, five (5) years with TMC

and currently with the Company. He also served the Government in the Professional Regulation Commission as a member of the Board of Examiners for Mining Engineering in 1997-2000 and was President of the Philippine Society of Mining Engineers in the CARAGA region in 2010-2012. He is a Fellow of the Society of Mining Engineers and a Competent Person in the Copper and Gold operations.

Mr. Anievas earned his Bachelor of Science in Mining Engineering from Mapua Institute of Technology. He completed the Management Development Program of the Asian Institute of Management.

**EMMANUEL L. SAMSON** was the Senior Vice President and Chief Financial Officer of the Company and was responsible for the finance and treasury functions of the NAC Group until his retirement on December 31, 2020. He was Treasurer of the Company's subsidiaries and a Director and Treasurer of EPI and its subsidiaries. Prior to joining NAC in 2006, Mr. Samson was Senior Country Officer for Credit Agricole Indosuez in the Philippines. Mr. Samson has more than a decade of experience in the Philippine equities markets having held positions with W.I. Carr Indosuez Securities (Phils.) Inc., Amon Securities Corporation and Rizal Commercial Banking Corporation. Mr. Samson obtained his Bachelor of Arts Degree in Economics from De La Salle University – Manila.

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

**MARIA ANGELA G. VILLAMOR**, Senior Vice President, is the Chief Financial Officer and Head of the Finance and Revenue Management Group effective January 1, 2021. She oversees the preparation and management of the Group's operating budgets and is responsible for financial reporting activities. She was the Vice President for Group Controllership from May 1 to December 31, 2020 and the Vice President for Internal Audit and the Chief Audit Executive from 2011 to April 30, 2020. Prior to joining NAC in 2011, she was a Senior Director in the Assurance Division of SGV & Co. She also worked as Senior Manager in KPMG UAE. Ms. Villamor obtained her Bachelor of Science in Commerce degree from the University of San Carlos. She completed the Management Development Program of the Asian Institute of Management.

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

**JOSE BAYANI D. BAYLON**, Vice President, is the Officer-in-Charge of the Public and Social Affairs Group and Head of the Corporate Communications Sector of the Company. He joined the Company in June 2012. He has over two decades of experience in the field of corporate communications and public affairs. Before joining NAC, he was Vice President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for nine years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001-2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001. Mr. Baylon obtained his Bachelor of Arts in Political Science degree from the University of the Philippines.

**ROMMEL L. CRUZ** is the Vice President for Operations in charge of DMC, HMC-Manicani Nickel Project and CDTN effective April 1, 2021. He was Vice President and Head of Production Operations for the Rio Tuba and Hinatuan mines of the Company from October 8, 2018 until March 31, 2021. Mr. Cruz was a key member of the core team of mining professionals of PT Adaro Indonesia (Adaro) who grew the company to become Indonesia's largest single pit coal mine from 1991 to 2013. Thereafter, he was assigned to other companies within the Adaro Group, first, as Director of Operations of PT Rahman Abdjaya from 2014 to 2016, then as Senior Technical Advisor to the Director of Operations of PT Septaindra Sejati from 2016 to 2017. Prior to his stint in the Adaro Group, he served as Senior Geodetic Engineer of Semirara Coal Corporation from 1989 to 1991. Engr. Cruz obtained his Bachelor of Science degree in Geodetic Engineering from the University of the Philippines.

**ROLANDO R. CRUZ**, Vice President, is the Officer-in-Charge of the Strategic Development and Growth Group, and Head of the Research and Technology, Innovations, and Corporate Special Projects Sectors of the Company effective January 1, 2021. He was Vice President for Project Development and Research of the Company until December 31, 2020. Mr. Cruz is responsible for the assessment and development of projects, concepts and plans for the growth and economic sustainability of the business. Engr. Cruz is a licensed mining engineer in the Philippines with over 25 years of professional experience in both mining operations and project development in gold, copper, chromite, concrete aggregates, nickel, and oil sands deposits using the open pit and underground bulk mining methods. He has held various positions with firms such as Albian Sands Energy, Inc. (Canada), Berong Nickel Corporation, Concrete Aggregates Corporation, Philex Mining Corporation, and Benguet Corporation. Engr. Cruz obtained his Bachelor of Science in Mining Engineering and Masters of Science in Geotechnical Engineering from the Mapua Institute of Technology. He also earned a Post-Graduate Certificate in Strategic Business Economics from the University of Asia and the Pacific. Mr. Cruz placed second in the 1982 Licensure Examinations for Mining Engineers.

**CHRISTOPHER C. FERNANDEZ**, Vice President, is the Head of the Information and Communications Technology Sector effective March 11, 2021. He is a seasoned technology professional with more than 20 years of accumulated executive, managerial and hands-on experience in delivering strategic thought leadership, technology-enabled solutions and transformation to businesses, including Information Technology (IT) governance and security, infrastructure, systems, and service management. Before joining the Company, Mr. Fernandez served as IT Head for Makati Medical Center, Armed Forces Police Mutual Benefit Association Inc., G4S Holdings, Inc. Headstrong Philippines, Inc., United Coconut Planters Bank, and Puyat Steel/Sports and Recreation. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from the University of the East.

**KOICHI ISHIHARA**, Vice President, is the Head of the Sales Sector and the Supply Chain and Management Sector effective January 1, 2021. He was Vice President for Marketing and Purchasing until December 31, 2020. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of PAMCO, handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant. Mr. Ishihara received his Bachelor's Degree in English Language from Kanda University of International Studies, Japan.

**MICHIO IWAI**, Vice President, is the Head of the Geologic Resources Management Sector of the Company. He was a Vice President of TMC until April 2018. He began his career in PAMCO as a Geologist in its Engineering Department. Thereafter, he served as the Deputy Treasurer of TMC, before becoming the Deputy General Manager -Mineral Resources of PAMCO. He obtained his Bachelor of Science Degree in Earth Science from Waseda University in Japan and his Master's Degree from the Science and Engineering Division of the same university.

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

**ROMEO T. TANALGO**, Vice President, is the Officer-in-Charge of the Risk and Assurance Group, and the Head of the Security, Administrative Services, and the Risk Management Sectors of the Company. He is also the Chief Risk Officer effective April 1, 2021. He was the Consultant of the Company for security matters from 01 May 2019 until his appointment as Vice President on August 6, 2019. He was the Chief of the Armed Forces of the Philippines (AFP) North Luzon Command from 10 March 2016 until his retirement in 04 September 2017. Prior thereto, he was appointed as AFP Vice Chief of Staff on October 20, 2015. He also served as Commandant, Philippine Marine Corps from April 2013 to December 2015. Gen. Tanalgo is a member of the Philippine Military Academy “Matikas” Class of 1983 and obtained his Masters degree in Development Management from the Asian Institute of Management and his Masters degree in Maritime Studies from the University of Wollonong in Australia.

**ROGEL C. CABAUTAN**, Assistant Vice President, is the Head of the Community Relations and Environment Sectors of the Company. He is responsible for overseeing, guiding and coordinating the environmental and community relations programs of the Company and its operating companies. Mr. Cabautan has 34 years of experience in environment management, community development and organization, and conflict management gained while working in the government and mining industry. He obtained his Bachelor of Science in Forestry degree from the University of the Philippines at Los Baños.

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

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

**RODRIGO V. GAZMIN, JR.**, Assistant Vice President, is the Head of the Purchasing and Supply Chain Management Sector of the Company effective January 1, 2021. Prior to his appointment as such, Mr. Gazmin was Senior Manager for Purchasing. He was a Purchasing Supervisor of RTN from 1989 until 2008, the year he joined the Company. Mr. Gazmin obtained his Bachelor of Science degree, major in Mechanical Engineering, from Lyceum of the Philippines-Manila and has attended the Basic Management Course in Asian Institute of Management in 2015.

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

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

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

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

No director or senior officer of the Company is or has been in the past two (2) years, a former employee or partner of the current external auditor.

Also, the Company discloses the transactions of its directors and officers as required by applicable laws and regulations.

## **B. SIGNIFICANT EMPLOYEES/EXECUTIVE OFFICERS**

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

## **C. FAMILY RELATIONSHIP**

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

## **D. INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

None of the members of the Company's Board, nor any of its executive officers, has been or is involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five (5) years and up to the date of this report. None of the members of the Board, nor any executive officer, have been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country. None of the members of the Board nor any executive officers have been or are subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities. None of the members of the Board nor any executive officer have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a

domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

#### Item 10. EXECUTIVE COMPENSATION

The table set out below identifies the Corporation's Chief Executive Officer and four (4) most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2019 and 2020 and their estimated compensation for 2021. The amounts set forth in the table have been prepared based on what the Company paid for the compensation of its executive officers for the years indicated and what we expect to pay on the ensuing year.

	December 31, 2019 <sup>1</sup>			December 31, 2020 <sup>2</sup>			December 31, 2021 <sup>3</sup> (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
(In Php Thousands)									
Named executive officers <sup>(1)</sup>	₱50,672	₱32,762	₱83,434	₱81,672	₱36,021	₱117,693	₱47,394	₱27,452	₱74,846
All other officers and directors as a group unnamed	43,270	22,524	65,794	52,444	29,581	82,025	51,505	17,569	69,074

<sup>1</sup>The named executive officers for the year 2019 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Emmanuel L. Samson (Chief Financial Officer), Jose B. Anievas (Chief Operating Officer), Rolando R. Cruz (Vice President for Project Development and Research).

<sup>2</sup>The named executive officers for the year 2020 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Emmanuel L. Samson (Chief Financial Officer), Jose B. Anievas (Chief Operating Officer), Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Services).

<sup>3</sup>The named executive officers for the year 2020 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Jose B. Anievas (Chief Operating Officer), Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Services), Rolando R. Cruz (Vice President for Project Development and Research).

#### COMPENSATION OF DIRECTORS

Each of the directors of the Parent Company is entitled to a director's fee for each meeting attended. In addition, the directors who serve in the committees of the BOD are each entitled to a fee for each committee meeting attended.

The table below shows the net compensation of the Company's Directors for each meeting:

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

Currently, there are no arrangements for additional compensation of directors.

#### STOCK OPTION PLANS

On April 5, 2018 and May 28, 2018, the Company's BOD and stockholders, respectively, approved the 2018 Executive Stock Option Plan (the 2018 ESOP or the New Plan) covering up to 155,000,000 shares, which was further increased to 375,000,000 shares, allocated to the Company's directors, officers, corporate secretary and the officers of its operating mining subsidiaries, specifically those with positions of Assistant Vice President and higher, including all Resident Mine Managers of the operating mining



subsidiaries, including CExCI. The optionees of the 2018 ESOP may avail of the ESOP shares at 90% of the Offer Price for a number of ESOP Shares equivalent to up to four (4) times the annual salary of the optionees. In case of non-executive directors and the corporate secretary, their grants shall be the average of the highest and lowest grants within the ESOP. The 2018 ESOP shall be valid for five (5) years commencing from the date of the approval of the New Plan. Options shall vest yearly at a rate of 25% of the entitlement, with the first vesting occurring one (1) year after the grant. The optionee can exercise the vested option by giving notice to the Parent Company within the term of the New Plan, and can opt to either purchase the shares directly at the exercise price or request the Parent Company to advance the purchase price and to sell the shares, in which case the participant will receive the sales proceeds less the exercise price.

On March 24, 2014 and June 6, 2014, the Company's BOD and stockholders, respectively, approved the 2014 Executive Stock Option Plan (the 2014 ESOP or the Plan) covering up to 32,000,000 shares allocated to our directors, officers, corporate secretary and the officers of its operating mining subsidiaries, specifically those with positions of Assistant Vice President and higher, including all Resident Mine Managers of the operating mining subsidiaries. The optionees of the 2014 ESOP may avail of the ESOP shares at 90% of the Offer Price for a number of ESOP Shares equivalent to up to four (4) times the annual salary of the optionees. In case of non-executive directors and the corporate secretary, their grants shall be the average of the highest and lowest grants within the ESOP. The 2014 ESOP shall be valid for five (5) years commencing from the date of the approval of the Plan. Options shall vest yearly at a rate of 25% of the entitlement, with the first vesting occurring one (1) year after the grant. The optionee can exercise the vested option by giving notice to the Parent Company within the term of the Plan, and can opt to either purchase the shares directly at the exercise price or request the Parent Company to advance the purchase price and to sell the shares, in which case the participant will receive the sales proceeds less the exercise price.

The cost of share-based payment plan in 2020, 2019 and 2018 amounted to ₱7.1 million, ₱130.5 million and ₱102.4 million, respectively.

As at March 11, 2021, the Parent Company is still waiting for SEC's approval of the exemption from registration of 170,083,608 common shares, which shall form part of the ESOP.

## Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### A. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

The following table sets forth the record owners and, to the best knowledge of the BOD and Management of the Company, the beneficial owners of more than 5% or more of the Company's outstanding share of common stock as at December 31, 2020 follows:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	PCD Nominee Corporation (Filipino)		Filipino	7,364,455,377	54.03%
Common Stock	Mantra Resources Corporation 30th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig		Filipino	0 - Direct 3,529,392,736 - Indirect	25.92%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City	Sumitomo Metal Mining Co., Ltd.	Foreign	2,600,384,267 - Direct 1,014,013,620 - Indirect	26.52%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	2,286,383,335	16.77%
Common Stock	Ni Capital Corporation 28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig	Philip T. Ang - Vice Chairman	Filipino	0 - Direct 1,830,296,4912 - Indirect	13.43%
Common Stock	Nonillion Holding Corporation 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City		Filipino	1,296,000,000 - Direct	9.51%

### B. SECURITY OWNERSHIP OF MANAGEMENT

The beneficial ownership of the Company's directors and executive officers as of December 31, 2020 follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Manuel B. Zamora Jr.	84,855 - Direct 26,703,753 - Indirect	Filipino	0.19%
Common Stock	Gerard H. Brimo	26,441,344 - Direct 1,518,665 - Indirect	Filipino	0.21%
Common Stock	Philip T. Ang	2,910,103 - Direct 264,664 - Indirect	Filipino	0.02%
Common Stock	Luis J. L. Virata	1 - Direct	Filipino	0%
Common Stock	Martin Antonio G. Zamora	540 - Direct 15,671 - Indirect	Filipino	0%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Frederick Y. Dy	1,516 - Direct	Filipino	0%
Common Stock	Angelo Raymundo Q. Valencia	10,000-Direct 5,000 - Indirect	Filipino	0%
Common Stock	Hiroshi Yoshida	2,023 - Direct	Japanese	0%
Common Stock	Masahiro Kamiya	2,023 - Direct	Japanese	0%
Common Stock	Jose B. Anievas	573,750 - Direct 4,353,739 - Indirect	Filipino	0.03%
Common Stock	Emmanuel L. Samson	-	Filipino	0%
Common Stock	Georgina Carolina Y. Martinez	3,000 - Indirect	Filipino	0%
Common Stock	Jose Bayani D. Baylon	50,200 - Indirect	Filipino	0%
Common Stock	Rolando R. Cruz	1,106,914 - Direct 594,000 - Indirect	Filipino	0.01%
Common Stock	Rommel L. Cruz	-	Filipino	0%
Common Stock	Aloysius C. Diaz	108,000 - Indirect	Filipino	0%
Common Stock	Koichi Ishihara	-	Japanese	0%
Common Stock	Michio Iwai	14,189,166 - Indirect	Japanese	0.1%
Common Stock	Gerardo Ignacio B. Ongkingco	-	Filipino	0%
Common Stock	Maria Angela G. Villamor	972,554 - Indirect	Filipino	0%
Common Stock	Romeo T. Tanalgo	-	Filipino	0%
Common Stock	Rogel C. Cabauatan	289,220 – Indirect	Filipino	0%
Common Stock	Jeffrey B. Escoto	-	Filipino	0%
Common Stock	Patrick S. Garcia	34,333 – Indirect	Filipino	0%
Common Stock	Marnelle A. Jalandon	-	Filipino	0%
Common Stock	Ryan Rene C. Jornada	662,500 - Indirect	Filipino	0%
Common Stock	Iryan Jean U. Padillo	4,500 - Indirect	Filipino	0%
Common Stock	Barbara Anne C. Migallos	-	Filipino	0%

#### C. VOTING TRUST HOLDERS OF 5% OR MORE

There is no voting trust holder of 5% or more of the Company's stock.

#### D. CHANGES IN CONTROL

There are no arrangements which may result in a change in control of the Company.

#### Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

All sales and purchases from related parties are made at prevailing market prices.

##### Nickel Ore Sale Agreements with PAMCO

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

#### Nickel Ore Sale Agreement with PAMCO and Sojitz Corporation (Sojitz)

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

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

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

#### Nickel Ore Supply Agreement with CBNC

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

#### Nickel Ore Supply Agreement with THNC

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

#### Service Agreements with CBNC

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

#### Materials Handling Agreement with THNC

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

#### Materials Supply Agreement with THNC

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

#### Funding Commitment with THNC

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

#### THNC Stockholder's Agreement

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

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

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

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

#### Throughput Agreements

##### *THNC*

On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the DENR that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

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

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

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

##### *CBNC*

Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in U.S. dollar, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

#### Memorandum of Understanding

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

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

In October 2016, pursuant to the sale by the Parent Company of its 12.5% equity interest in THNC to SMM, the shareholding ratio of the Parent Company and SMM became 10% and 75%, respectively.

The THNC Stockholders' Agreement also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US\$1,420.0 million Project investment of THNC, which cost increased to US\$1,590.0 million over the three (3)-year construction period which commenced in the last quarter of 2010.

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

The THNC Agreement shall terminate upon the dissolution of THNC.

#### Loan Guarantee/Substitution Agreement

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

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

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

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

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



#### Lease Agreement with THNC

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

#### Loan Agreements

##### *THNC*

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

##### *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. The interest on the loan of 5% p.a. and the principal amount are payable on June 17, 2025, the maturity date of the loan.

#### Lease Agreement with Manta

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

The lease agreement expired in May 2018 and was renewed for another period of five (5) years.

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

## PART IV – EXHIBITS AND SCHEDULES

### Item 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

#### Exhibits

See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Corporation's Independent Public Accountant, SGV & Co.

#### Reports on SEC Form 17-C

The Parent Company filed the following reports on SEC Form 17-C during the year 2020.

Items Reported	Date Reported
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 1,360,000 common shares at the weighted average price of Php2.8451 per share on January 31, 2020	February 3, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 1,281,000 common shares at the weighted average price of Php2.7841 per share on February 3, 2020	February 4, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 1,275,000 common shares at the weighted average price of Php2.7397 per share on February 4, 2020	February 5, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 486,000 common shares at the weighted average price of Php2.7121 per share on February 5, 2020	February 6, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 2,125,000 common shares at the weighted average price of Php2.5725 per share on February 10, 2020	February 11, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 801,000 common shares at the weighted average price of Php2.6170 per share on February 11, 2020	February 12, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 181,000 common shares at the weighted average price of Php2.5788 per share on February 13, 2020	February 14, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 83,000 common shares at the weighted average price of Php2.5594 per share on February 17, 2020	February 18, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 175,000 common shares at the weighted average price of Php2.5143 per share on February 24, 2020	February 26, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 210,000 common shares at the weighted average price of Php2.4295 per share on February 26, 2020	February 27, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 689,000 common shares at the weighted average price of Php2.2092 per share on February 28, 2020	March 2, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 4,003,000 common shares at the weighted average price of Php2.1498 per share on March 2, 2020	March 3, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 996,000 common shares at the weighted average price of Php2.1182 per share on March 3, 2020	March 4, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 210,000 common shares at the weighted average price of Php2.0879 per share on March 4, 2020	March 5, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 429,000 common shares at the weighted average price of Php1.9681 per share on March 9, 2020	March 10, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 515,000 common shares at the weighted average price of Php1.9663 per share on March 10, 2020	March 11, 2020

Items Reported	Date Reported
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 2,772,000 common shares at the weighted average price of Php1.7996 per share on March 12, 2020	March 13, 2020
Declaration of cash dividends at Php0.08 per common share to stockholders of record as of March 27, 2020; payable on April 8, 2020.	March 13, 2020
Amendments to the 2018 Stock Option Plan	March 13, 2020
Notice of annual shareholders meeting	March 13, 2020
Change in the designation and appointment of NIKL Officers	March 13, 2020
Nickel Asia Corporation Announces 2019 Financial and Operating Results	March 13, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 814,000 common shares at the weighted average price of Php1.8013 per share on March 13, 2020	March 16, 2020
Response to SEC Notice Issued on 12 March 2020 Regarding the COVID-19 Pandemic	March 16, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 163,000 common shares at the weighted average price of Php1.7807 per share on March 16, 2020	March 18, 2020
Payment of Cash Dividends	March 24, 2020
Temporary suspension of mining operations in the Province of Surigao Del Norte effective 01 April 2020	March 31, 2020
Lifting of temporary suspension of operations export companies (including mining and mineral processing companies) and prohibition on entry of foreign vessels of export-oriented companies in Surigao Del Norte	April 6, 2020
Death of Mr. Fulgencio S. Factoran, Jr., Independent Director	April 6, 2020
Voluntary suspension of mining and export operations of Taganito Mining Corporation and Hinatuan Mining Corporation in April 2020	April 8, 2020
Postponement of Annual Stockholders' Meeting	April 13, 2020
Nickel Asia Corporation Financial and Operating Results for 1Q-2020	May 8, 2020
Election of new Independent Director to serve the unexpired term of the late Mr. Fulgencio S. Factoran, Jr.	May 8, 2020
NIKL Share Buy-Back Transactions: Purchase by the Company through the open market a total of 2,120,000 common shares at the average price of Php1.5202 per share on May 29, 2020	June 1, 2020
Annual Stockholder's Meeting on July 17, 2020 (postponed from original date of May 18, 2020)	June 10, 2020
Results of 2020 Annual Stockholders' Meeting	July 20, 2020
Results of Organizational Meeting of the Board of Directors held on 17 July 2020, immediately after the Annual Stockholders' Meeting	July 20, 2020
Nickel Asia Corporation Announces Financial and Operating Results for Six Months Ended June 30, 2020	August 7, 2020
Declaration of cash dividends at Php0.22 per common share to stockholders of record as of August 24, 2020; payable on September 4, 2020.	August 7, 2020
Temporary suspension of operations of Nickel Asia Corporation's subsidiary, Hinatuan Mining Corporation	October 28, 2020
Nickel Asia Corporation Announces Financial and Operating Results as Net Income Increases 20% for the Nine Months Ended September 30, 2020	November 6, 2020
Establishment of Services Company, Debt-Equity Swap between Nickel Asia Corporation and Emerging Power, Inc.	November 6, 2020
Organizational Changes effective January 01, 2021	November 6, 2020


**SIGNATURES**

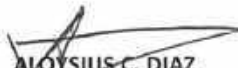
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Taguig on

~~APR 14 2021~~, 2021.

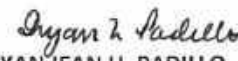
By:

  
**MARTIN ANTONIO G. ZAMORA**  
President and Chief Executive Officer

  
**MARIA ANGELA G. VILLAMOR\***  
Senior Vice President and  
Chief Financial Officer  
\* Effective January 1, 2021

  
**ALOYSIUS C. DIAZ**  
Senior Vice President and  
Head of Production  
\* Effective April 1, 2021

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary


  
**IRYAN JEAN U. PADILLO**  
Assistant Vice President - Finance

**APR 14 2021**

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2021 affiant (s) exhibiting to me his/their Passport Number, as follows:

Names	Passport/ID No.	Date of Issue	Place of Issue
Martin Antonio G. Zamora	P5236537B	06/18/2020	NCR East
Maria Angela G. Villamor	P2684825A	04/11/2017	Manila
Aloysius C. Diaz	PRC Reg. No. 0000980	10/19/2018	Manila
Barbara Anne C. Migallos	P7148981A	05/11/2018	NCR South
Iryan Jean U. Padillo	P2919448B	08/31/2019	NCR Central

Doc. No. 148;  
Page No. 20;  
Book No. 2;  
Series of 2021.

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

PTR No. A-4689468 dated 03 January 2020 / Taguig City  
IBP No. 05593 (Lifetime) / O.R. No. 669506 / 09 January 2006  
MCLE Compliance No. VI-0048369, until 14 April 2022  
28F NAC Tower, 32nd Street, BGC, Taguig City

**NICKEL ASIA CORPORATION**  
SEC FORM 17-A  
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

**CONSOLIDATED FINANCIAL STATEMENTS**

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Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

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Independent Auditor's Report on Supplementary Schedules

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Schedule II: Supplementary Schedules under Annex 68-J

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidated Financial Statements
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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


The management of **Nickel Asia Corporation and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SGV & Co., the independent auditors, appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



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**GERARD H. BRIMO**  
Chairman of the Board



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**MARTIN ANTONIO G. ZAMORA**  
President and Chief Executive Officer



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**MARIA ANGELA G. VILLAMOR**  
Chief Financial Officer

Signed this 11th day of March 2021.

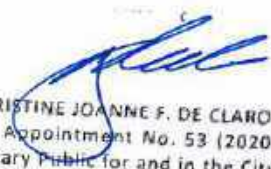


SUBSCRIBED and SWORN to before me, this APR 13 2021, at TAGUIG CITY,  
affiants who exhibited to me their competent evidence of identity specified below:

Name	Competent Evidence of Identity	Date and Place Issued
GERARD H. BRIMO	Passport No. P1914438A	11 Feb. 2017/DFA Manila
MARTIN ANTONIO G. ZAMORA	Passport No. P5236537B	18 Jun. 2020/DFA NCR East
MARIA ANGELA G. VILLAMOR	Passport No. P2684825A	11 Apr. 2017/DFA Manila

avowed under penalty of law as to the truth of the contents of this instrument.

Doc. No.: 255  
Page No.: 52  
Book No.: 2  
Series of 2021.

  
CHRISTINE JOANNE F. DE CLARO-NAVARRO  
Appointment No. 53 (2020-2021)  
Notary Public for and in the City of Taguig  
Until December 31, 2021  
Roll No. 55216  
PTR No. A-4689467 / 03 January 2020 / Taguig City  
IBP Life Member Roll No. 018905 / OR No. 032319 / 05 Feb 2018  
MCLE Compliance No. VI-0019624, until 14 April 2022  
28F NAC Tower, 32nd St., BGC, Taguig City

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Nickel Asia Corporation  
28th Floor NAC Tower, 32nd Street  
Bonifacio Global City, Taguig City

### Opinion

We have audited the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters



Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Recoverability of geothermal exploration and evaluation assets and deferred mine exploration costs***

The ability of the Group to recover its geothermal exploration and evaluation assets and deferred mine exploration costs would depend on the commercial viability of the reserves. The substantial amount of these accounts and the significant management judgment required in assessing whether there is any indication of impairment are key areas of focus in our audit.

The carrying values of geothermal exploration and evaluation assets and deferred mine exploration costs as of December 31, 2020 are disclosed in Notes 11 and 13 to the consolidated financial statements.

***Audit response***

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the geothermal exploration and evaluation assets and deferred mine exploration costs. We inquired into the status of these projects and their plans on operations. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences with regulatory agencies of each exploration project, to determine that the period for which the Group has the right to explore in the specific area, has not been cancelled or has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

***Impairment testing of solar project and construction in-progress***

The Group is adversely affected by the continued decline in wholesale electricity prices. In the event that an impairment indicator is identified, the assessment of the recoverable amounts of the solar project and construction in-progress related to solar farms and geothermal projects, requires significant judgment and is based on assumptions. The assessment of the recoverable amounts of the Sta. Rita Solar Power and the Biliran Geothermal Power Projects, which require estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates, is a key audit matter in our audit. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter in our audit.

The carrying values of the Group's solar project and construction in-progress recorded as part of property and equipment as of December 31, 2020 are disclosed in Note 9 to the consolidated financial statements.



#### *Audit response*

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the recoverable amounts. We reviewed the reasonableness of these assumptions, such as future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates. We compared the key assumptions used against the industry benchmark plant life, production reports from operations department, average market price of electricity on Wholesale Electric Spot Market (WESM), current tax laws and Department of Energy regulations, Bangko Sentral ng Pilipinas (BSP) forecasted inflation rate, industry debt ratio and discount rate based on industry weighted average capital cost. We tested the parameters used in the determination of the discount rate against the market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of solar project and construction in-progress recorded as part of property and equipment

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-5 (Group A),

April 30, 2019, valid until April 29, 2022

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-072-2020,

November 27, 2020, valid until November 27, 2023

PTR No. 8534239, January 4, 2021, Makati City

March 11, 2021





# NICKEL ASIA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱11,835,201	₱11,943,128
Trade and other receivables (Note 5)	1,438,920	1,065,657
Inventories (Note 6)	2,930,348	3,995,411
Financial assets at (Note 7):		
Fair value through profit or loss (FVTPL)	2,846,822	1,651,283
Fair value through other comprehensive income (FVOCI)	2,548,760	2,730,168
Amortized cost	100,000	244,217
Prepayments and other current assets (Note 8)	311,919	393,393
<b>Total Current Assets</b>	<b>22,011,970</b>	<b>22,023,257</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 9)	16,889,585	16,028,192
Investments in associates (Note 10)	3,193,911	3,259,735
Geothermal exploration and evaluation assets (Note 11)	1,819,859	1,811,711
Financial assets at - net of current portion (Note 7):		
FVTPL	906,626	851,266
Amortized cost	110,000	210,000
Deferred income tax assets (Note 37)	607,264	498,264
Long-term stockpile inventory - net of current portion (Note 12)	-	105,601
Other noncurrent assets (Note 13)	3,374,075	3,473,927
<b>Total Noncurrent Assets</b>	<b>26,901,320</b>	<b>26,238,696</b>
<b>TOTAL ASSETS</b>	<b>₱48,913,290</b>	<b>₱48,261,953</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 14)	₱8,033,675	₱7,530,858
Short-term debts (Note 15)	1,492,654	1,492,404
Income tax payable	1,034,281	557,388
Other current liability (Note 40k)	261,691	221,079
Current portion of:		
Long-term debts (Note 15)	84,040	88,611
Lease liabilities (Note 35)	30,982	25,141
Long-term payable (Note 17)	7,000	5,000
<b>Total Current Liabilities</b>	<b>10,944,323</b>	<b>9,920,481</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debts (Note 15)	893,409	930,418
Lease liabilities (Note 35)	584,922	581,537
Deferred income (Note 40m)	46,089	50,279
Long-term payable (Note 17)	6,093	12,300
Pension liability (Note 36)	676,087	393,180
Provision for mine rehabilitation and decommissioning (Note 16)	664,379	493,731
Deferred income tax liabilities - net (Note 37)	501,199	748,766
<b>Total Noncurrent Liabilities</b>	<b>3,372,178</b>	<b>3,210,211</b>
<b>Total Liabilities</b>	<b>14,316,501</b>	<b>13,130,692</b>

(Forward)



	<b>December 31</b>	
	<b>2020</b>	2019
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 18)	<b>₱6,849,836</b>	₱6,849,836
Additional paid-in capital	<b>8,271,900</b>	8,262,455
Other components of equity:		
Cost of share-based payment plan (Note 19)	<b>441,589</b>	370,522
Share in cumulative translation adjustment (Note 10)	<b>381,991</b>	612,635
Net valuation gains on financial assets at FVOCI (Note 7)	<b>57,771</b>	32,243
Asset revaluation surplus	<b>30,948</b>	31,331
Retained earnings:		
Unappropriated	<b>14,952,425</b>	13,713,383
Appropriated (Note 18)	<b>189,950</b>	1,585,576
Treasury stock (Note 18)	<b>(134,014)</b>	(87,950)
	<b>31,042,396</b>	31,370,031
<b>Non-controlling Interests (NCI)</b>	<b>3,554,393</b>	3,761,230
<b>Total Equity</b>	<b>34,596,789</b>	35,131,261
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱48,913,290</b>	₱48,261,953

*See accompanying Notes to Consolidated Financial Statements.*



## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2020	2019	2018
<b>REVENUES</b>			
Sale of ore and limestone (Notes 32 and 34)	<b>₱20,456,629</b>	₱16,669,736	₱17,741,560
Services and others (Notes 32 and 34)	<b>1,026,794</b>	861,307	627,705
Sale of power (Notes 32, 34, 40g and 40p)	<b>288,158</b>	392,251	278,407
	<b>21,771,581</b>	17,923,294	18,647,672
<b>COSTS</b>			
Cost of sales (Note 21)	<b>7,519,981</b>	7,105,870	6,770,953
Services (Note 22)	<b>328,562</b>	331,819	318,258
Power generation (Note 23)	<b>313,250</b>	377,467	360,622
	<b>8,161,793</b>	7,815,156	7,449,833
<b>OPERATING EXPENSES</b>			
Excise taxes and royalties (Note 24)	<b>2,244,402</b>	1,787,323	1,804,029
Shipping and loading costs (Note 25)	<b>2,122,779</b>	1,767,016	1,949,489
General and administrative (Note 26)	<b>1,117,666</b>	1,155,984	1,213,041
Marketing (Notes 40e and 40f)	<b>208,078</b>	157,031	140,210
	<b>5,692,925</b>	4,867,354	5,106,769
<b>FINANCE INCOME</b> (Note 29)	<b>238,293</b>	405,598	354,803
<b>FINANCE EXPENSES</b> (Note 30)	<b>(274,502)</b>	(343,655)	(245,625)
<b>EQUITY IN NET INCOME OF ASSOCIATES</b> (Note 10)	<b>190,447</b>	10,383	348,168
<b>OTHER INCOME (CHARGES)</b> - net (Note 31)	<b>(263,209)</b>	168,824	(217,001)
<b>INCOME BEFORE INCOME TAX</b>	<b>7,807,892</b>	5,481,934	6,331,415
<b>PROVISION FOR (BENEFIT FROM)</b> <b>INCOME TAX</b> (Note 37)			
Current	<b>2,564,732</b>	1,790,581	2,173,934
Deferred	<b>(245,882)</b>	(135,075)	(65,459)
	<b>2,318,850</b>	1,655,506	2,108,475
<b>NET INCOME</b>	<b>₱5,489,042</b>	₱3,826,428	₱4,222,940
Net income attributable to:			
Equity holders of the parent	<b>₱4,068,732</b>	₱2,684,969	₱3,008,057
NCI	<b>1,420,310</b>	1,141,459	1,214,883
	<b>₱5,489,042</b>	₱3,826,428	₱4,222,940
<b>Basic/Diluted Earnings Per Share</b> (EPS; Note 20)	<b>₱0.30</b>	₱0.20	₱0.22

See accompanying Notes to Consolidated Financial Statements.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
<b>NET INCOME</b>	<b>₱5,489,042</b>	<b>₱3,826,428</b>	<b>₱4,222,940</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:</i>			
Share in translation adjustment of associates (Note 10)	(256,271)	(186,419)	240,289
Income tax effect	25,627	18,642	(24,029)
	<b>(230,644)</b>	<b>(167,777)</b>	<b>216,260</b>
Net valuation gains (losses) on financial assets (Note 7)	23,545	133,932	(52,241)
Income tax effect (Note 7)	1,983	(9,185)	2,542
	<b>25,528</b>	<b>124,747</b>	<b>(49,699)</b>
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	<b>(205,116)</b>	<b>(43,030)</b>	<b>166,561</b>
<i>Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:</i>			
Remeasurement gain (loss) on pension liability (Note 36)	(276,917)	(77,048)	13,553
Income tax effect	83,076	23,114	(4,066)
	<b>(193,841)</b>	<b>(53,934)</b>	<b>9,487</b>
Asset revaluation surplus	(547)	(547)	(547)
Income tax effect	164	164	164
	<b>(383)</b>	<b>(383)</b>	<b>(383)</b>
Net other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods	<b>(194,224)</b>	<b>(54,317)</b>	<b>9,104</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>(399,340)</b>	<b>(97,347)</b>	<b>175,665</b>
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>₱5,089,702</b>	<b>₱3,729,081</b>	<b>₱4,398,605</b>
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱3,727,463</b>	<b>₱2,599,758</b>	<b>₱3,186,229</b>
NCI	<b>1,362,239</b>	<b>1,129,323</b>	<b>1,212,376</b>
	<b>₱5,089,702</b>	<b>₱3,729,081</b>	<b>₱4,398,605</b>

See accompanying Notes to Consolidated Financial Statements.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 18)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 19)	Share in Cumulative Translation Adjustment (Note 10)	Net Valuation Gains on Financial Assets at FVOCI (Note 7)	Asset Revaluation Surplus	Retained Earnings		Treasury Stock (Note 18)	Total	NCI	Total
							Unappropriated	Appropriated (Note 18)				
<b>Balances at December 31, 2019</b>	<b>₱6,849,836</b>	<b>₱8,262,455</b>	<b>₱370,522</b>	<b>₱612,635</b>	<b>₱32,243</b>	<b>₱31,331</b>	<b>₱13,713,383</b>	<b>₱1,585,576</b>	<b>(₱87,950)</b>	<b>₱31,370,031</b>	<b>₱3,761,230</b>	<b>₱35,131,261</b>
Net income	-	-	-	-	-	-	4,068,732	-	-	4,068,732	1,420,310	5,489,042
Other comprehensive income (loss)	-	-	-	(230,644)	25,528	(383)	(135,770)	-	-	(341,269)	(58,071)	(399,340)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(230,644)</b>	<b>25,528</b>	<b>(383)</b>	<b>3,932,962</b>	<b>-</b>	<b>-</b>	<b>3,727,463</b>	<b>1,362,239</b>	<b>5,089,702</b>
Cost of share-based payment plan (Notes 19 and 27)	-	-	71,067	-	-	-	-	-	-	71,067	-	71,067
Cash dividends (Note 18)	-	-	-	-	-	-	(4,089,425)	-	-	(4,089,425)	-	(4,089,425)
7% Cash dividends - Preferred share (Note 34)	-	-	-	-	-	-	(504)	-	-	(504)	-	(504)
Cash dividends to NCI (Notes 33 and 34)	-	-	-	-	-	-	-	-	-	-	(1,702,000)	(1,702,000)
Acquisition of treasury stock (Note 18)	-	-	-	-	-	-	-	-	(46,064)	(46,064)	-	(46,064)
Reversal of appropriations (Note 18)	-	-	-	-	-	-	1,450,576	(1,450,576)	-	-	-	-
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	(54,950)	54,950	-	-	-	-
Asset revaluation surplus transferred to retained earnings (Note 9)	-	-	-	-	-	-	383	-	-	383	-	383
Effect of partial disposal of shares in a subsidiary	-	9,445	-	-	-	-	-	-	-	9,445	132,924	142,369
<b>Balances at December 31, 2020</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱441,589</b>	<b>₱381,991</b>	<b>₱57,771</b>	<b>₱30,948</b>	<b>₱14,952,425</b>	<b>₱189,950</b>	<b>(₱134,014)</b>	<b>₱31,042,396</b>	<b>₱3,554,393</b>	<b>₱34,596,789</b>



Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 18)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 19)	Share in Cumulative Translation Adjustment (Note 10)	Net Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Asset Revaluation Surplus	Retained Earnings		Treasury Stock (Note 18)	Total	NCI	Total
							Unappropriated	Appropriated (Note 18)				
Balances at December 31, 2018	₱6,849,836	₱8,262,455	₱240,003	₱780,412	(₱92,504)	₱31,714	₱11,794,529	₱1,818,628	(₱20,366)	₱29,664,707	₱3,786,123	₱33,450,830
Net income	-	-	-	-	-	-	2,684,969	-	-	2,684,969	1,141,459	3,826,428
Other comprehensive income (loss)	-	-	-	(167,777)	124,747	(383)	(41,798)	-	-	(85,211)	(12,136)	(97,347)
Total comprehensive income (loss)	-	-	-	(167,777)	124,747	(383)	2,643,171	-	-	2,599,758	1,129,323	3,729,081
Cost of share-based payment plan (Notes 19 and 27)	-	-	130,519	-	-	-	-	-	-	130,519	-	130,519
Cash dividends (Note 18)	-	-	-	-	-	-	(957,248)	-	-	(957,248)	-	(957,248)
7% Cash dividends - Preferred share (Note 34)	-	-	-	-	-	-	(504)	-	-	(504)	-	(504)
Cash dividends to NCI (Notes 33 and 34)	-	-	-	-	-	-	-	-	-	-	(1,155,000)	(1,155,000)
Elimination of NCI at disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	784	784
Acquisition of treasury stock (Note 18)	-	-	-	-	-	-	-	-	(67,584)	(67,584)	-	(67,584)
Reversal of appropriations (Note 18)	-	-	-	-	-	-	318,628	(318,628)	-	-	-	-
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	(85,576)	85,576	-	-	-	-
Asset revaluation surplus transferred to retained earnings (Note 9)	-	-	-	-	-	-	383	-	-	383	-	383
Balances at December 31, 2019	₱6,849,836	₱8,262,455	₱370,522	₱612,635	₱32,243	₱31,331	₱13,713,383	₱1,585,576	(₱87,950)	₱31,370,031	₱3,761,230	₱35,131,261

See accompanying Notes to Consolidated Financial Statements.





Equity Attributable to Equity Holders of the Parent

	Capital Stock	Additional Paid-in Capital	Cost of Share-based Payment Plan	Share in Cumulative Translation Adjustment	Net Valuation Losses on Financial Assets at FVOCI	Asset Revaluation Surplus	Retained Earnings		Treasury Stock	Total	NCI	Total
							Unappropriated	Appropriated (Note 18)				
Balances at January 1, 2018	₱3,808,665	₱8,262,455	₱137,635	₱564,152	(₱42,805)	₱32,097	₱15,732,045	₱1,095,583	₱-	₱29,589,827	₱3,828,747	₱33,418,574
Net income	-	-	-	-	-	-	3,008,057	-	-	3,008,057	1,214,883	4,222,940
Other comprehensive income (loss)	-	-	-	216,260	(49,699)	(383)	11,994	-	-	178,172	(2,507)	175,665
Total comprehensive income (loss)	-	-	-	216,260	(49,699)	(383)	3,020,051	-	-	3,186,229	1,212,376	4,398,605
Cost of share-based payment plan (Note 27)	-	-	102,368	-	-	-	-	-	-	102,368	-	102,368
Stock dividends (Note 18)	3,041,171	-	-	-	-	-	(3,041,171)	-	-	-	-	-
Cash dividends (Note 18)	-	-	-	-	-	-	(3,193,230)	-	-	(3,193,230)	-	(3,193,230)
7% Cash dividends - Preferred share (Note 34)	-	-	-	-	-	-	(504)	-	-	(504)	-	(504)
Cash dividends to NCI (Note 34)	-	-	-	-	-	-	-	-	-	-	(1,255,000)	(1,255,000)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(20,366)	(20,366)	-	(20,366)
Reversal of appropriations (Note 18)	-	-	-	-	-	-	1,095,583	(1,095,583)	-	-	-	-
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	(1,818,628)	1,818,628	-	-	-	-
Asset revaluation surplus transferred to retained earnings (Note 9)	-	-	-	-	-	-	383	-	-	383	-	383
Balances at December 31, 2018	₱6,849,836	₱8,262,455	₱240,003	₱780,412	(₱92,504)	₱31,714	₱11,794,529	₱1,818,628	(₱20,366)	₱29,664,707	₱3,786,123	₱33,450,830

See accompanying Notes to Consolidated Financial Statements.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

	<b>Years Ended December 31</b>		
	<b>2020</b>	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱7,807,892</b>	₱5,481,934	₱6,331,415
Adjustments for:			
Depreciation, amortization and depletion (Notes 9 and 28)	<b>1,445,260</b>	1,404,365	1,355,589
Interest income (Note 29)	<b>(238,293)</b>	(405,598)	(354,803)
Equity in net income of associates (Note 10)	<b>(190,447)</b>	(10,383)	(348,168)
Interest expense (Note 30)	<b>157,638</b>	208,286	165,576
Unrealized foreign exchange losses (gains) - net (Note 31)	<b>143,177</b>	203,048	(153,705)
Loss (gain) on:			
Sale of financial assets at FVOCI (Note 31)	<b>(47,157)</b>	(19,055)	49,456
Changes in fair value of financial assets (Note 31)	<b>41,800</b>	(347,725)	143,711
Write-off of project development cost and other deposits (Note 31)	<b>4,367</b>	-	-
Sale of property and equipment (Note 31)	<b>4,353</b>	14,020	(59,683)
Write-off of deposit for aircraft acquisition (Note 40q)	-	51,105	-
Exchange of assets (Notes 31 and 40q)	-	(39,986)	-
Sale of investment in subsidiaries (Note 31)	-	(881)	-
Redemption of financial assets at amortized cost (Note 31)	-	(200)	(2,353)
Write-off of investment property (Note 31)	-	-	1,623
Cost of share-based payment plan (Notes 19 and 27)	<b>71,067</b>	130,519	102,368
Accretion of interest on:			
Lease liabilities (Notes 30 and 35)	<b>54,344</b>	55,342	-
Provision for mine rehabilitation and decommissioning (Notes 16 and 30)	<b>14,764</b>	14,738	13,746
Long-term payable (Notes 17 and 30)	<b>793</b>	977	1,155
Dividend income (Notes 7 and 31)	<b>(33,500)</b>	(45,539)	(38,849)
Provisions for impairment losses on:			
Advances to suppliers and contractors (Note 31)	<b>15,336</b>	-	-
Deferred mine exploration costs (Note 31)	-	-	15
Movements in pension liability	<b>(9,652)</b>	(33,987)	(5,819)
Operating income before working capital changes	<b>9,241,742</b>	6,660,980	7,201,274
Decrease (increase) in:			
Inventories	<b>1,171,767</b>	(251,137)	(179,902)
Trade and other receivables	<b>(351,071)</b>	105,504	(76,748)
Prepayments and other current assets	<b>81,474</b>	716,985	(235,047)
Increase in trade and other payables	<b>725,924</b>	254,248	112,679
Net cash generated from operations	<b>10,869,836</b>	7,486,580	6,822,256
Income taxes paid	<b>(2,087,839)</b>	(1,648,982)	(1,993,378)
Net cash flows from operating activities	<b>8,781,997</b>	5,837,598	4,828,878

(Forward)



	<b>Years Ended December 31</b>		
	<b>2020</b>	2019	2018
<b>CASH FLOWS FROM INVESTING</b>			
<b>ACTIVITIES</b>			
Acquisitions of:			
Financial assets at (Note 7):			
FVOCI	<b>(₱4,662,785)</b>	(₱2,247,021)	(₱1,489,737)
FVTPL	<b>(3,251,620)</b>	(1,233,089)	(786,674)
Amortized cost	-	(58,447)	(48,439)
Property and equipment (Note 9)	<b>(2,132,848)</b>	(1,255,523)	(1,144,269)
Proceeds from sale or redemption of:			
Financial assets at:			
FVOCI	<b>4,909,068</b>	2,233,070	1,700,179
FVTPL	<b>1,947,885</b>	1,065,502	2,007,499
Amortized cost	<b>244,217</b>	136,200	198,401
Subsidiaries, net of cash disposed (Note 1)	-	51,366	-
Property and equipment	<b>2,230</b>	5,067	85,052
Interest received	<b>268,676</b>	404,381	354,958
Increase in:			
Other noncurrent assets	<b>(208,303)</b>	(262,902)	(49,223)
Geothermal exploration and evaluation assets (Note 11)	<b>(8,148)</b>	(18,267)	(9,261)
Dividends received (Notes 7 and 10)	<b>33,453</b>	150,342	38,924
Issuance of loan (Note 40a)	-	(543,824)	-
<b>Net cash flows from (used in) investing activities</b>	<b>(2,858,175)</b>	(1,573,145)	857,410
<b>CASH FLOWS FROM FINANCING</b>			
<b>ACTIVITIES</b>			
Payments of:			
Cash dividends (Notes 18 and 34)	<b>(5,731,929)</b>	(2,212,752)	(4,418,734)
Short-term debt	<b>(1,500,000)</b>	(1,500,000)	-
Interest	<b>(123,810)</b>	(167,256)	(126,195)
Long-term debts	<b>(75,546)</b>	(334,637)	(1,625,187)
Principal portion of lease liabilities (Note 35)	<b>(55,149)</b>	(90,273)	-
Long-term payable	<b>(5,000)</b>	(5,000)	(5,000)
Proceeds from sale or availment of:			
Short-term debts, net of debt issue costs (Note 15)	<b>1,488,953</b>	1,488,903	1,488,922
Long-term debt (Note 15)	<b>94,976</b>	-	-
Noncontrolling interest in a subsidiary (Note 1)	<b>71,184</b>	-	-
Acquisitions of treasury stock	<b>(46,064)</b>	(67,584)	(20,366)
Increase (decrease) in:			
Other current liability	<b>40,612</b>	-	24,000
Deferred income	<b>(4,190)</b>	(4,190)	(4,190)
<b>Net cash flows used in financing activities</b>	<b>(5,845,963)</b>	(2,892,789)	(4,686,750)
<b>NET INCREASE IN CASH AND CASH</b>			
<b>EQUIVALENTS</b>	<b>77,859</b>	1,371,664	999,538
<b>CASH AND CASH EQUIVALENTS AT</b>			
<b>BEGINNING OF YEAR</b>	<b>11,943,128</b>	10,784,369	9,635,514
<b>EFFECT OF EXCHANGE RATE CHANGES IN</b>			
<b>CASH AND CASH EQUIVALENTS (Note 31)</b>	<b>(185,786)</b>	(212,905)	149,317
<b>CASH AND CASH EQUIVALENTS AT</b>			
<b>END OF YEAR (Note 4)</b>	<b>₱11,835,201</b>	₱11,943,128	₱10,784,369

See accompanying Notes to Consolidated Financial Statements.



## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

#### 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. As at March 11, 2021, 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. As at March 11, 2021, 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.

*CDTN Services Company Inc. (CDTN)*

CDTN was registered with the SEC on December 21, 2020, is a 100% owned subsidiary of the Parent Company and is primarily engaged in general engineering construction, contracting and machinery, and supply sales business in all its phases, extend and receive any contracts or assignments or contracts related thereto or connected therewith, and manufacture and furnish building materials and supplies. It is also engaged in the handling of materials in connection with construction or manufacturing, warehousing, distribution or disposal activities, or other similar activities.

*Falck Exp Inc. (FEI)*

FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (TMC), and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue (BIR) was approved. Final dissolution will take place after the approval of FEI's application with the SEC. As at March 11, 2021, FEI is still waiting for the approval of SEC.

*Cordillera Exploration Co., Inc. (CExCI)*

CExCI was registered with the SEC on October 19, 1994, is a 71.25% owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. As at March 11, 2021, CExCI is currently not engaged in any development or commercial production activities.

*Newminco Pacific Mining Corporation (Newminco)*

Newminco was registered with the SEC on October 9, 2006, is a 71.25% owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. As at March 11, 2021, 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 (GRESK) No. 2010-02-013 on November 24, 2014, MGPC acquired the exclusive rights to explore, develop and exploit geothermal resources covering a geothermal field in the municipality of Naujan, Oriental Mindoro. The transfer of GRESK No. 2010-02-013 to MGPC was approved by the DOE on February 16, 2016.

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.

*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 Energy Regulatory Commission (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.

*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 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 Plant 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 (RA) 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 in December 2018. JSI's Phase III-A for 30MW started construction in mid-2020 and Phase III-B for 38MW will be implemented in the latter half of 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.

As at December 31, 2020, there are a total of eight (8) wells drilled, with vertical, deviated or directional well tracks. BGI has continued to conduct activities for maintenance of the existing wells and secure the necessary permits and licenses related to the Project.

*Mantex Services Inc. (Mantex)*

Mantex was registered with the SEC on March 26, 2012, is a 43.15% owned subsidiary of the Parent Company through EPI. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

On August 28, 2019, MEI assigned its 50% ownership in Mantex to G.A.A. Delgado Inc. for a consideration.

Coronavirus Disease (COVID-19) Outbreak

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, Presidential Proclamation No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021.

These have caused disruptions to businesses and economic activities; however, the Group has determined that these series of events have not materially affected its financial position as at December 31, 2020 and its financial performance and cash flows for the year then ended.

As at March 11, 2021, NCR is still under general community quarantine.



The consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issuance by the Parent Company's BOD on March 11, 2021.

## 2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting and Financial Reporting Policies

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVTPL and at FVOCI, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and its subsidiaries' (collectively referred to as the Group) functional and presentation (or reporting) currency, except CPDL whose functional and reporting currency is in United States dollar (US\$). All amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

### Basis of Consolidation

The consolidated financial statements include the balances of its subsidiaries and equity share in earnings of its associates:

	Principal Place of Business	Principal Activities	Effective Ownership	
			2020	2019
<i>Subsidiaries</i>				
HMC	Philippines	Mining and Services	100.00%	100.00%
CMC	Philippines	Mining	100.00%	100.00%
LCSLC <sup>(a)</sup>	Philippines	Services	100.00%	100.00%
DMC	Philippines	Mining	100.00%	100.00%
SNMRC	Philippines	Mining	100.00%	100.00%
CPDL <sup>(b)</sup>	BVI	Services	100.00%	100.00%
CDTN <sup>(c)</sup>	Philippines	Services	100.00%	–
FEI <sup>(d)</sup>	Philippines	Mining	88.00%	88.00%
CExCI	Philippines	Mining	71.25%	71.25%
Newminco <sup>(e)</sup>	Philippines	Mining	71.25%	71.25%
TMC	Philippines	Mining and Services	65.00%	65.00%
RTN	Philippines	Mining and Services	60.00%	60.00%
		Renewable Energy (RE)		
EPI	Philippines	Developer	86.29%	86.29%
MGPC <sup>(f)</sup>	Philippines	RE Developer	86.29%	86.29%
BHI <sup>(f)</sup>	Philippines	Services	86.29%	86.29%
NPPGC <sup>(f)</sup>	Philippines	Power Generation	86.29%	86.29%
JSI <sup>(f)</sup>	Philippines	Power Generation	77.66%	86.29%
BGI <sup>(f)</sup>	Philippines	Power Generation	51.77%	51.77%
<i>Associates</i>				
THNC	Philippines	Manufacturing	10.00%	10.00%
CBNC	Philippines	Manufacturing	10.00%	10.00%

(a) Indirect ownership through HMC

(b) Incorporated in BVI on June 18, 2019

(c) Incorporated on December 21, 2020

(d) Indirect ownership through HMC, CMC and TMC

(e) Indirect ownership through CExCI

(f) Indirect ownership through EPI

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2020 and 2019. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary,



adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

#### *Subsidiaries*

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group controls an investee if and only if the Group has all of the following:

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

#### *NCI*

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share in the net assets acquired is recognized as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained



earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

#### Statement of Compliance

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

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. 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, *Business Combinations, Definition of a Business*  
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures*, and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*  
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments had no impact on the financial statements of the Group.

- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*  
The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments had no impact on the financial statements of the Group.



- Conceptual Framework for Financial Reporting issued on March 29, 2018  
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The revisions on the Conceptual Framework had no impact on the financial statements of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*  
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group has not adopted the amendments beginning January 1, 2020 since it has no existing rent concession.

#### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2021:*

- Amendments to PFRS 9, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*  
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships



- Relief from the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual financial reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, the Group is not required to restate prior periods.

The amendments are not expected to have any impact on the financial statements of the Group.

*Effective beginning on or after January 1, 2022*

- *Amendments to PFRS 3, Reference to the Conceptual Framework*  
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual financial reporting periods beginning on or after January 1, 2022 and must be applied prospectively.

The amendments are not expected to have any impact on the financial statements of the Group.

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

The amendment is effective for annual financial reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have an impact on the financial statements of the Group.

- *Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract*  
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”.



The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual financial reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual financial reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of PFRS, Subsidiary as a First-Time Adopter*  
The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual financial reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have any impact on the financial statements of the Group.

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*  
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual financial reporting period in which the entity first applies the amendment.

The amendment is effective for annual financial reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have any impact on the financial statements of the Group.

- *Amendments to PAS 41, Agriculture, Taxation in Fair Value Measurements*  
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual financial reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have any impact on the financial statements of the Group.

*Effective beginning on or after January 1, 2023*

- *Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent*  
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:
  - What is meant by a right to defer settlement





- That a right to defer must exist at the end of the financial reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual financial reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have any significant impact on the financial statements of the Group.

- *IFRS 17, Insurance Contracts*  
IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for annual financial reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The new standard is not expected to have any impact on the financial statements of the Group.

#### *Deferred Effectivity:*

- Amendments to IFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
The amendments address the conflict between IFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.



## Summary of Significant Accounting and Financial Reporting Policies

### Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to "Other income (charges) - net" in the consolidated statement of income.

As at the end of the financial reporting period, the statement of financial position of associates and a subsidiary (whose functional currency is other than the Philippine peso) is translated into the presentation currency of the Group (the Philippine peso) using the rate of exchange prevailing at the end of the financial reporting period and the consolidated statement of income is translated using the weighted average exchange rate for the year. The exchange differences arising on the translation is recognized in other comprehensive income. Upon disposal of such associate, the component of other comprehensive income relating to that particular associate will be recognized in the consolidated statement of income.

### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

### Fair Value Measurement

The Group measures financial instruments at fair value at each end of the financial reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly



transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the financial reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level of the fair value hierarchy as explained above.

#### Cash and Cash Equivalents

Cash includes cash on hand, with banks and under managed funds. Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.



### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

### Financial Assets

#### *Initial Recognition, Classification and Measurement of Financial Instruments*

Financial assets are classified, at initial recognition, as subsequently measured at FVTPL, at FVOCI and at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one (1) year or less, are measured at the transaction price determined under PFRS 15.

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

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.



### *Subsequent Measurement*

For purposes of subsequent measurement, the Group's financial assets are classified in the following categories:

- Financial assets at FVTPL
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at amortized cost (debt instruments)

### Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income. A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

This category includes debt and equity investments which the Group had not irrevocably elected to classify at FVOCI (see Note 7). Dividends on equity investments are recognized under "Other income (charges) - net" in the consolidated statement of income when the right of payment has been established.

### Financial Assets at FVOCI (Debt Instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the consolidated statement of income.

The Group's debt instruments at FVOCI include investments in quoted debt instruments such as government and corporate bonds and other similar investments (see Note 7). The Group does not hold equity instrument measured at FVOCI.



#### Financial Assets at Amortized Cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, investment in certain debt instruments, loan receivable and long-term negotiable instruments (see Notes 4, 5, 7 and 13).

#### *Impairment of Financial Assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the twelve (12)-months after the financial reporting date are recognized.

*Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

*Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

#### Determining the Stage for Impairment

At each financial reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the financial reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a twelve (12)-month ECL. The low



credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

For cash and cash equivalents, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either a twelve (12)-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents since initial recognition.

The Group computes ECLs using the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) for trade receivables. The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each end of the financial reporting period.

The Group's debt instruments at FVOCI and at amortized cost comprise of quoted bonds and government securities that are graded in the investment category by either Standard and Poor's (S&P), Moody's, Bloomberg or Fitch (collectively referred to as the Credit Rating Agencies), whichever is applicable, and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a twelve (12)-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are thirty (30) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group writes-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes-off an account when all of the following conditions are met:

- the asset is past due for over thirty (30) days, or is already an item-in-litigation with any of the following:
  - a. no properties of the counterparty could be attached
  - b. the whereabouts of the counterparty cannot be located
  - c. it would be more expensive for the Group to follow-up and collect the amount, hence the Group have ceased enforcement activity, and
  - d. collections can no longer be made due to insolvency or bankruptcy of the counterparty
- expanded credit arrangement is no longer possible;
- filing of legal case is not possible; and
- the account has been classified as 'Loss'.





### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "passthrough" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### Financial Liabilities

#### *Initial Recognition, Classification and Measurement of Financial Instruments*

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax.

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

The Group's financial liabilities are in the nature of other financial liabilities. The Group has no financial liabilities classified as at FVTPL and derivatives designated as hedging instruments in an effective hedge.

#### *Subsequent Measurement*

The measurement of other financial liabilities is as described below:

### Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVTPL upon the inception of the liability. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under "Finance expense" in the consolidated statement of income.



Other financial liabilities are included in current liabilities if settlement is within twelve (12) months from the end of the financial reporting period, otherwise, these are classified as noncurrent liabilities.

This accounting policy applies primarily to the Group's trade and other payables, short-term and long-term debts, long-term payable, lease liabilities and other obligations that meet the above definition (excluding government payables and other liabilities that are covered by other accounting standards, such as income tax payable and pension; see Notes 14, 15, 17 and 35).

#### *Derecognition*

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

#### Reclassifications of Financial Instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset and the right is not contingent on a future event, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties, and is legally enforceable in the normal course of business.

#### Inventories

Inventories, including the long-term stockpile inventory, are carried at the lower of cost and net realizable value (NRV). Cost is determined by the moving average production cost during the year for beneficiated nickel ore and limestone exceeding a determined cut-off grade and average handling costs of limonite ores. The NRV of beneficiated nickel ore and limestone inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

For materials and supplies, cost is determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. The NRV of materials and supplies is the current replacement cost. Any provision for inventory losses is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

The long-term stockpile inventory cost is represented by the fair value of the long-term stockpile inventory related to the acquisition of the controlling interest in RTN in August 2006. The fair value was determined using the present value of the estimated cash flows, which RTN will derive from the



sale of this inventory to CBNC under its Nickel Ore Supply Agreement with CBNC (see Note 34a). After initial recognition, the long-term stockpile inventory is subsequently charged to cost of sale of ore based on actual tonnage delivered to CBNC. NRV of long-term stockpile inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### Prepayments and Other Current Assets

Prepayments and other current assets include input Value Added Tax (VAT), advances and deposits, prepaid taxes, tax credit certificates, and various prepayments which the Group expects to realize or consume the assets within twelve (12) months after the end of the financial reporting period.

#### *VAT*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position. Deferred input VAT, which represents input VAT on capital assets subject to amortization, and any excess input VAT which: (1) may be utilized against output VAT, if any, beyond twelve (12) months from the end of the financial reporting period; or (2) are being claimed for refund or as tax credits with the BIR and/or Court of Tax Appeals are presented as part of "Other noncurrent assets" in the consolidated statement of financial position. Input VAT is stated at cost less any impairment in value.

#### Property and Equipment

The Group's property and equipment consists of land and land improvements, mining properties and development costs, machinery and equipment, buildings and improvements, transmission lines and substations, solar farm, construction in-progress and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion and accumulated impairment loss, if any. The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any accumulated impairment loss.

Effective January 1, 2019, it is the Group's policy to classify ROU assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statement of financial position. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use. This also include interest on borrowed funds incurred during the construction period.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

<u>Category</u>	<u>Number of Years</u>
Land improvements	5
Machinery and equipment	2-15
Buildings and improvements	2-25
Transmission lines and substations	10-40
Solar farm	5-40

Mining properties and development costs include the capitalized cost of mine rehabilitation and decommissioning and other development cost necessary to prepare the area for operations. Depletion of mining properties and development costs is calculated using the unit-of-production method based on the estimated economically recoverable reserves to which they relate to or are written-off if the property is abandoned. Development costs are depreciated using the straight-line method over the estimated useful life of the asset of twenty (20) to thirty (30) years.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life and lease term of four (4) to fifty (50) years. ROU assets are subject to impairment.

Depreciation, amortization and depletion of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, or in case of mining properties, from start of commercial operations upon extraction of ore reserves. Depreciation, amortization and depletion ceases when the assets are fully depreciated, amortized or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The assets' estimated recoverable reserves, residual values, useful lives and depreciation, amortization and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. If there is an indication that there has been a significant change in depreciation, amortization and depletion rate, useful life or residual value of an asset, these are revised prospectively to reflect the new expectations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.



The asset revaluation surplus which arose from the acquisition of the controlling interest in RTN in August 2006, relates to the land, machinery and equipment, and building and improvements. The related and applicable depreciation on these assets is transferred periodically to retained earnings.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

#### *Borrowing Cost*

Borrowing costs directly attributable to the development of the Group's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. The capitalization of the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Capitalized borrowing costs are based on the applicable borrowing rate agreed in the agreement.

#### Investments in Associates

Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control activities. The Group's investments in associates are accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

If the ownership interest in an associate is reduced, but the investment continues to be an associate, the Group shall reclassify to the consolidated statement of income the proportionate gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest if that gain or loss would be required to be reclassified to consolidated statement of income on the disposal of the related asset.

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

#### Geothermal Exploration and Evaluation Assets

The Group follows the full cost method of accounting for its geothermal exploration and evaluation assets determined on the basis of the service contract. Under this method, all exploration costs relating to each service contract are accumulated and deferred under "Geothermal exploration and



evaluation assets” account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when the management decides to use the unproductive wells, for recycling or waste disposal.

Once the technical feasibility and commercial viability of the project to produce proved reserves have been established and appropriate regulatory approvals have been obtained, the geothermal exploration and evaluation assets are reclassified to property and equipment.

Geothermal exploration and evaluation assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of income in the year the item is derecognized.

Geothermal exploration and evaluation assets also include interest on borrowed funds that are directly attributable to the construction and development of the Group’s projects.

#### Other Noncurrent Assets

Other noncurrent assets of the Group include deferred mine exploration costs, advances and deposits, input VAT, mine rehabilitation fund (MRF), loan receivable, project development costs, Social Development Management Program (SDMP) funds, long-term negotiable instruments, computer software, investment properties, pension asset, and other deposits. Aside from MRF, SDMP funds and restricted cash which are restricted as to withdrawal for specified purpose, these are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the financial reporting period.

#### *Deferred Mine Exploration Costs*

Expenditures for the acquisition of property rights are capitalized. Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to property and equipment. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value. Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.



#### *Deferred Stripping Costs*

Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine which are amortized subsequently. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or amortization and less impairment losses.

#### *Project Development Costs*

Project development costs are expensed as incurred until management determines that the project is technically, commercially, and financially viable, at which time project development costs are capitalized. Project's viability generally occurs in tandem with management's determination that a project should be classified as an advanced project as evidenced by a favorable system impact study, interconnection agreements, or when project financing is in place.

Following initial recognition of the project development cost as an asset, the cost model is applied requiring the asset to be carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when the development of the wind and solar energy projects are complete and the asset is available for use. It is amortized using the straight-line method over the period of expected future benefit. During the period in which the asset is not yet available for use, the project development costs are tested for impairment annually, irrespective of whether there is indication of impairment.

#### *Investment Properties*

Investment properties, which pertain to land, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is carried at cost less any accumulated impairment losses.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

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





### Impairment of Nonfinancial Assets

#### *Inventories and Long-term Stockpile Inventory*

The Group determines the NRV of inventories and long-term stockpile inventory at each end of the financial reporting period. If the cost of the inventories and long-term stockpile inventory exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of income in the year the impairment is incurred. In the case when NRV of the inventories and long-term stockpile inventory increased subsequently, the NRV will increase the carrying amounts of inventories but only to the extent of their original acquisition costs.

#### *Property and Equipment and Nonfinancial Prepayments and Other Current and Noncurrent Assets*

The Group assesses, at each end of the financial reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. These calculations are corroborated by valuation multiples or other available fair value indicators. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, amortization and depletion) had no impairment loss been recognized for that asset in prior years.

#### *Investments in Associates*

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associates. At each end of the financial reporting period, the Group determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the amount in the consolidated statement of income.

#### *Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs*

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;



- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Geothermal exploration and evaluation assets and deferred mine exploration costs are reassessed for impairment on a regular basis.

#### Other Current Liability

Other current liability pertains to deposits for future stock subscription which represents advance payments from stockholders for the subscription of future issuance of shares.

The Group classifies its deposits for future stock subscription as a separate account under equity if and only if, all of the following elements are present as at the end of the financial reporting period:

- There is a lack of or insufficiency in unissued authorized capital stock;
- The BOD and stockholders have approved the proposed increase in authorized capital stock; and
- An application for the approval of the proposed increase in authorized capital stock has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposits for future stock subscription shall be recognized and included as a separate line item under liabilities in the consolidated statement of financial position.

#### Leases - Upon Adoption of PFRS 16

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

#### *Lease Liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include, if any, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



#### *Short-term Leases and Leases of Low-value Assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

#### Leases - Prior to the Adoption of PFRS 16

##### *Determination of Whether an Arrangement Contains a Lease*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

##### *Group as a Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as expense in the consolidated statement of income on a straight-line basis over the lease term.

##### *Group as a Lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

#### Provisions

##### *General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the financial reporting period and adjusted to reflect the current best estimate. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as part of "Finance expense" in the consolidated statement of income.



#### *Provision for Mine Rehabilitation and Decommissioning*

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized as part of “Finance expense” in the consolidated statement of income. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur. When rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the financial reporting period and the cost is charged to consolidated statement of income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

MRF committed for use in satisfying environmental obligations are included within “Other noncurrent assets” in the consolidated statement of financial position.

#### Deferred Income

Deferred income are advance payments received for lease arrangements during one (1) financial reporting period but earned and shown in the consolidated statement of income in the year when it can be matched with the period in which it is realized as income.

#### Capital Stock

Common shares are classified as equity and are measured at par value for all shares issued and outstanding.

Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Parent Company’s option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company’s BOD. Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statement of income as accrued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to “Additional paid-in capital”.

Unpaid subscriptions are recognized as a reduction from subscribed capital shares.



#### Share-based Payment Transactions

The executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transaction is determined by the fair value at the date when the grant is made using the Black Scholes-Merton model. The cost of equity-settled transaction is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at the end of each financial reporting period until the vesting date reflects the extent to which the vesting period has expired and the Parent Company’s best estimate of the number of equity instruments that will ultimately vest.

The charge or credit in the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and are recognized in “Personnel costs”.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted EPS.

#### Other Comprehensive Income

Other comprehensive income are comprised of items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

#### Retained Earnings

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

Dividends are recognized as a liability and deducted from equity when they are approved or declared by the BOD and/or stockholders. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the end of the financial reporting period.



### Treasury Stock

Own equity instruments that are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the "Additional paid-in capital".

### Basic/Diluted EPS

#### *Basic EPS*

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

#### *Diluted EPS*

Diluted EPS is calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

### Revenue from Contracts with Customers

The Group is principally engaged in the business of producing beneficiated nickel ore, limestone and quarry materials, rendering of services and generating revenue from sale of power. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

### Contract Balances

#### *Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

#### *Trade Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "*Financial Assets - Initial Recognition, Classification and Measurement*".

#### *Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.



From time to time, the Group recognizes contract liabilities in relation to its sale of ore which are sold under free-on-board (FOB) Incoterms, whereby a portion of the cash may be received from the customer before the loading of ore are completed.

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

- *Sale of Beneficiated Nickel Ore, Limestone and Quarry Materials*

For the sale of beneficiated nickel ore, limestone and quarry materials, the enforceable contract is each purchase order, which is an individual, short-term contract. Purchase orders are executed through an Addendum to the master supply agreements with customers. While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes.

The Group's sale of ore allows price adjustment provision where final ore price shall be based on the final results of the final assay exchange with customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue is recognized when control passes to the customer, which occurs at a point in time when the ore, in the case of deliveries other than to CBNC and THNC, is physically transferred onto a vessel. In the case of deliveries to CBNC and THNC, this occurs at the time the ore passes into the ore preparation hopper of the respective plants and at the time the quarry materials have been delivered to each delivery points. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received.

- *Sale of Power*

Revenue from sale of power primarily pertains to sale of electricity to Independent Electricity Market Operator (IEMO), formerly known as Philippine Electricity Market Corporation, which are traded through Philippine Wholesale Electricity Spot Market (WESM) and to Surigao Del Norte Electric Cooperative, Inc. (SURNECO).

For the sale of power to IEMO, the enforceable contract is the Market Participation Agreement together with the WESM Rules that implement the provisions of the Electric Power Industry Reform Act (EPIRA) of 2001, its Implementing Rules and Regulations and other related laws. For the sale of power to SURNECO, the enforceable contract is the Power Supply Agreement (PSA).

The performance obligation is the sale of power since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

The Group concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the Group supplies power.

The sale of power to IEMO provides an unspecified quantity of energy. The unit price for the sale of power is determined at each trading interval of each day while the unit price for its bilateral agreements are at a fixed rate based on the PSAs with customers. Such provisions under PFRS 15 give rise to variable consideration. The variable consideration is estimated at contract





inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

*Rendering of Services*

Revenue from rendering of services consists of shipsiding activities, service fees, usage fees, assaying fees, drilling fees and materials handling fees are recognized when the services are rendered. The performance obligations are satisfied and payment is generally due upon completion and billing of the services. Revenue is recognized over time and units of delivery output method is the measure of progress since the customer obtains the benefit from the Group's performance based on the quantities and volume of materials handled each month.

*Capital Recovery Fee*

Revenue from capital recovery fee of the diesel power plant is also recognized on a straight-line basis over the term of the PSA.

*Interest*

Income is recognized as interest accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

*Dividend*

Dividend income is recognized when the Group's right to receive payment is established.

*Rental*

Revenue is recognized based on a straight-line basis over the term of the lease agreement.

*Other Income*

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

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses, finance expenses and other charges are generally recognized when the expense arises, incurred or accrued in the appropriate period.

*Cost of Sales*

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of cost of goods sold, which are provided in the period when goods are delivered.

*Cost of Power Generation*

Cost of power generation using solar energy and diesel include expenses incurred directly for the generation of revenues from power at operating project locations. Cost of power generation are expensed when incurred.

*Cost of Services*

Cost of services is incurred in the normal course of business and is provided in the period when the related service has been rendered.



### *Operating Expenses*

Operating expenses consist of costs associated with the development and execution of marketing and promotional activities, excise taxes and royalties due to the government and to indigenous people, costs of shipping and loading which are expenses incurred in connection with the distribution of ores, and expenses incurred in the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense arises.

### Pension Costs

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as pension costs under "Personnel costs" in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized and included under "Finance expense" or "Finance income" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19 are closed to retained earnings.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

### Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the financial reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

#### *Deferred Income Tax*

Deferred income tax is provided using the balance sheet method on temporary differences at the end of the financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the financial reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted as at the end of the financial reporting period.



Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

#### Uncertainty Over Income Tax Treatments

The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group presents uncertain tax liabilities as part of current income tax liabilities or deferred income tax liabilities.

#### Business Segments

For management purposes, the Group is organized into operating segments (mining, power and services) according to the nature of the products and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The segment locations are the basis upon which the Group reports its primary segment information for the mining segment. All of the segments operate and generate revenue only in the Philippines. Financial information on business segments is presented in Note 43.

#### Contingencies

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

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

Post year-end events that provide additional information about the Group's position at each end of the financial reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.



Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

#### Judgments

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

##### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries, except CPDL, has been determined to be the Philippine peso. The functional currency is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences labor, material and other costs of providing goods and services.

##### *Classifying Financial Instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

##### *Assessing Production Start Date*

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

##### *Assessing Units-of-Production Depletion*

Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in estimates is accounted for prospectively.



*Determining Whether Significant Influence Exists*

The Parent Company recognized its ownership interest in THNC and CBNC as investments in associates. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures*, the existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- Participation in policy-making processes through its representation on the BOD; or
- Material transactions between the entity and its investee such as the supply of all the nickel ore and limestone requirement of the investee and/or the use of the Group's land and infrastructure necessary for the production of the products of the investee.

Due to the nature of the Parent Company's involvement in THNC and CBNC and other various factors, the Parent Company assessed that significant influence exists (see Note 10).

The Parent Company also owns 25% ownership interest in Eurasian Consolidated Minerals Pty Ltd (ECM) which was recognized as financial assets at FVTPL. The Parent Company assessed that no significant influence exists due to:

- Absence of material transactions between ECM and the Parent Company;
- No interchange of managerial personnel; and
- Non-participation of the Parent Company in the policy-making process, as the group of shareholders that holds the majority ownership of the investee operates without regard to the views of the Parent Company.

*Determining Capitalizability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs*

Careful judgment by management is applied when deciding whether the recognition requirements for geothermal exploration and evaluation assets and deferred mine exploration costs relating to the Group's geothermal and mining projects have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal and ore reserve. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at the end of each financial reporting period.

*Determining Applicability of IFRIC 12, Service Concession Arrangements on the Solar Energy Service Contract (SESC) and PSA with SURNECO*

An arrangement would fall under IFRIC 12 if the two conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price, and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

The infrastructure used for its entire useful life ('whole of life assets') is within the scope of IFRIC 12 if the arrangement meets the conditions in (a).

However, based on management's judgment, the SESC entered into by JSI is outside the scope of IFRIC 12 since JSI controls the significant residual interest in the properties at the end of the concession term through ownership. For the PSA with SURNECO, management assessed that it is also outside the scope of IFRIC 12 since SURNECO does not control or regulates the services of the operator, which is the Parent Company, in using the power plant including its pricing.



*Operating Lease - Parent Company as the Lessor*

In accounting for its PSA with SURNECO, the Group's management has made a judgment that the PSA is an arrangement that contains a lease. The Parent Company has not transferred substantially all the risks and rewards incidental to the ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to transfer the power plant at the end of the PSA for no consideration. Accordingly, the Group accounted for the agreement as an operating lease. The capacity fees billed to SURNECO are recorded as operating revenue based on the terms of the PSA.

*Determining the Lease Term of Contracts with Renewal and Termination Options - Group as Lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customization to the leased asset).

The renewal periods for the lease of the land and buildings and improvements are not included as part of the lease term as this is not reasonably certain to be exercised. Furthermore, the periods covered by termination options, if any, are included as part of the lease term only when they are reasonably certain not to be exercised.

*Identifying the Enforceable Contract*

*Sale of Beneficiated Nickel Ore*

The Group made an irrevocable and firm commitment to sell nickel ore on free-on-board (FOB) of mother vessel terms, while the buyer made an irrevocable and firm commitment to purchase the quantity of the nickel ore under the terms and conditions specified and agreed upon in the contract. Throughout the year, the parties executed addendums to the contract to deliver nickel ore with quantity and specifications indicated therein.

The Group executed a five (5)-year contract with Pacific Metals Co., Ltd. (PAMCO), where the former expressed its wish to sell to the latter all beneficiated nickel saprolite ore which meets the specifications as stated in the contract. The Group also executed sales contracts with its major customers to sell beneficiated nickel limonite ore with specifications stated explicitly in the contracts.

For the above arrangements, the enforceable contracts have been determined to be the annual and long-term contracts and the addendums thereon. While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes. Therefore, for above arrangements, the enforceable contracts have been determined to be the annual and long-term contracts and the addendum thereon.

*Sale of Limestone*

RTN executed a long-term contract with its customers that sets out the general terms and conditions governing each sale of limestone that occur. The enforceable contracts have been determined to be the long-term contracts.





#### Sale of Quarry Materials

TMC entered into a Materials Supply Agreement (MSA) with THNC to sell and deliver construction materials and THNC to purchase and take delivery of rock, sand, gravel and available laterite near the area to be used for the expansion of their tailing storage facility which is part of the auxiliary facility of their HPP project. The enforceable contracts have been determined to be each purchase order and the MSA.

#### Rendering of Services

The Group and its customers entered into various service agreements, such as materials handling services and power supply, that sets out the general terms and conditions governing each services that occur. The Group has the experience, expertise, equipment, facilities, and personnel required for the services needed and the customers recognizes the capability of Group and hires its services under the terms and conditions specified and agreed upon in the contract. Therefore, the enforceable contracts are the service agreements and/or PSAs entered into with different customers.

#### Identifying Performance Obligations

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if: i) each distinct good or services in the series are transferred over time, and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

With regards to the sale of beneficiated nickel ore and limestone, the Group and its buyers agree to respectively sell and purchase a specific quantity of nickel ore and limestone during the term of the sales contracts. This performance obligation is a promise to transfer to the buyer distinct goods (i.e. nickel ore and limestone) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of the sales contracts because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer nickel ore and limestone which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

For the sale of quarry materials, TMC and THNC agree to sell and purchase a specific quantity of quarry materials during the term of each purchase order and the MSA. The performance obligation is a promise to transfer to THNC distinct goods (i.e. rock, sand, gravel and available laterite) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of each purchase order and MSA because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer quarry materials which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

With regards to the sale of power, it is considered as a performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract.



The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

*Determining Method to Estimate Variable Consideration and Assessing the Constraint*

The Group assessed that it has variable consideration pertaining to quantity of ore shipped to customer. The variability arises from the uncertainty of final quantity and is assessed based on preliminary assay which is the Group's estimate of the most likely amount that is not highly probable to result in a significant reversal in cumulative revenue recognized when final assay is completed.

The Group's sale of power to IEMO provide unspecified quantity of energy and unspecified unit price that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., volume and unit price), the range of possible outcomes (i.e., unspecified quantity of energy and unspecified unit price), and the unpredictability of other factors outside the Group's influence.

*Allocating Variable Consideration*

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For the revenue from sale of power which is considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

*Determining the Timing of Satisfaction*

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concluded that revenue from sale of power are to be recognized over time since customers simultaneously receives and consumes the benefits as the Group supplies power.

The sale of ore, limestone and quarry materials are satisfied at a point in time. All risk of loss, damage or destruction respective of the ore delivered shall progressively pass to the buyer at the time the ore passes over the rail and into the vessel while risk of loss and damage for the limestone delivered passed to the buyer at the time the good is delivered to the buyer's plant. In case of deliveries to CBNC and THNC title, risk of loss and damage passed to the buyer at the time the ore passes into the ore preparation hopper of the respective plants and. Moreover, the risk of loss and damage is also passed to the buyer at the time the quarry materials have been delivered to each delivery point.



For rendering of services, it is satisfied over time since the customer obtains the benefit simultaneously with the Group's performance of services. The fact that another entity would not need to re-perform the handling services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

*Identifying Methods for Measuring Progress of Revenue Recognized over Time*

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For sale of power, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on the actual energy dispatched billed at the spot price calculated during the trading interval which is a one (1) hour period commencing on the hour or based on the rates approved by the ERC.

*Determining the Group's Business Model*

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

*Defining Default and Credit-Impaired Financial Assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than thirty (30) days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - a. The borrower is experiencing financial difficulty or is insolvent;
  - b. The borrower is in breach of financial covenant(s);
  - c. An active market for that financial assets has disappeared because of financial difficulties;
  - d. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty;
  - e. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
  - f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.



An instrument is no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

#### *Identifying Forward Looking Information*

In its ECL models, the Group relies on forward looking information as economic inputs, such as:

- Dollar index rate
- Gross Domestic Product (GDP) growth
- Inflation rates

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past five (5) years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the end of the financial reporting period. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

#### *Determining Significant Increase in Credit Risk*

The criteria for determining whether credit risk has increased significantly vary and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than thirty (30) days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the related party/customer.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria can identify significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes thirty (30) days past due; and
- there is no unwarranted volatility in loss allowance from transfers between twelve (12)-month PD (stage 1) and lifetime PD (stage 2).

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than thirty (30) days past due, are considered to have a low credit risk. The provision for ECL for these financial assets is based on a twelve (12)-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.



### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial reporting period, that have the most significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

#### *Estimating Ore Reserves*

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying values of property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets and depreciation and depletion charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of the reserves. The Group reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or limestone prices or production costs and other factors.

#### *Estimating Recoverability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs*

The application of the Group's accounting policy for geothermal exploration and evaluation assets and deferred mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

The carrying values of geothermal exploration and evaluation assets amounted to ₱1,819.9 million and ₱1,811.7 million as at December 31, 2020 and 2019, respectively (see Note 11).

Deferred mine exploration costs, included in "Other noncurrent assets" in the consolidated statements of financial position, as at December 31, 2020 and 2019 amounted ₱1,348.5 million and ₱1,313.5 million, respectively (net of allowance for impairment losses of ₱143.6 million as at December 31, 2020 and 2019; see Note 13).

#### *Estimating Allowance for Impairment Losses on Solar Project and Construction In-Progress*

The Group is adversely affected by the continued decline in wholesale electricity prices. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the solar project and construction in-progress related to solar farms and geothermal projects, requires significant judgment and is based on assumptions. The carrying value of the Group's solar project



and construction in-progress recorded as property and equipment as at December 31, 2020 and 2019 are disclosed in Note 9 to the consolidated financial statements.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to the consolidated statement of income if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. As at December 31, 2020 and 2019, the Group has not provided any allowance for impairment losses on its property and equipment.

#### *Estimating Allowance for ECL on Trade and Other Receivables*

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every end of the financial reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 5.

#### *Calculating ECL*

The Group calculates ECLs based on unbiased and a three (3) probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.



- EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the financial reporting period, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, a best case, and a worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

#### *Estimating Allowance for Impairment Losses on Inventories*

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the end of the financial reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the number of contained nickel ore ounces based on assay data. Stockpile tonnages are verified by periodic surveys. NRV test for materials and supplies is also performed annually and it represents the current replacement cost. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

As at December 31, 2020 and 2019, inventories carried at lower of cost and NRV amounted to ₱2,930.3 million and ₱3,995.4 million, respectively (net of allowance for inventory losses of ₱111.7 million and ₱114.5 million as at December 31, 2020 and 2019, respectively; see Note 6).

#### *Estimating Recoverability of Long-term Stockpile Inventory*

The determination of the Group's long-term stockpile inventory include among others, projected revenues and operating and delivering costs from the sale of the long-term stockpile. Actual results that differ from the Group's assumptions generally affect the Group's recognized expense. The long-term stockpile inventory is carried at the lower of cost and NRV. An allowance for inventory losses is recognized when the carrying value of the asset is not recoverable and exceeds the NRV. Long-term stockpile inventory - net of current portion amounted to nil and ₱105.6 million as at December 31, 2020 and 2019, respectively (see Note 12).

#### *Estimating Useful Lives of Property and Equipment (except Land)*

The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.





The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of property and equipment in 2020 and 2019.

The carrying values of property and equipment except land and construction in-progress amounted to ₱9,227.0 million and ₱9,265.9 million as at December 31, 2020 and 2019, respectively (net of accumulated depreciation, amortization and depletion of ₱12,990.9 million and ₱11,993.6 million, respectively; see Note 9).

*Estimating Allowance for Impairment Losses on Investments in Associates*

Impairment review on investments in associates are performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. Management has determined that there are no events or changes in circumstances in 2020 and 2019 that may indicate that the carrying value of investments in associates may not be recoverable. No impairment loss was recognized on investments in associates in 2020 and 2019. The carrying values of the Group's investments in associates amounted to ₱3,193.9 million and ₱3,259.7 million as at December 31, 2020 and 2019, respectively (see Note 10).

*Estimating Allowance for Impairment Losses on Nonfinancial Other Assets*

The Group provides allowance for impairment losses on nonfinancial other assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other assets.

The carrying values of nonfinancial prepayments and other current assets amounted to ₱311.9 million and ₱393.4 million as at December 31, 2020 and 2019, respectively, while nonfinancial other noncurrent assets amounted to ₱3,020.6 million and ₱2,859.0 million as at December 31, 2020 and 2019, respectively (see Notes 8 and 13).

The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱54.8 million and ₱570.0 million as at December 31, 2020 and 2019, respectively (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2020 and 2019 amounted to ₱780.1 million and ₱250.1 million, respectively (see Note 13).

*Estimating the Incremental Borrowing Rate of the Leases*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

The Group's lease liabilities amounted to ₱615.9 million and ₱606.7 million as at December 31, 2020 and 2019, respectively (see Note 35). The incremental borrowing rate used in 2020 and 2019 ranges from 4.92% to 6.56% and 8.02% to 9.03%, respectively.



#### *Estimating Provision for Mine Rehabilitation and Decommissioning*

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision at the end of the financial reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Provision for mine rehabilitation and decommissioning amounted to ₱664.4 million and ₱493.7 million as at December 31, 2020 and 2019, respectively (see Note 16).

#### *Determining Pension Benefits*

The cost of defined benefit retirement as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions, as described in Note 36. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit pension liability are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit pension liability. All assumptions are reviewed at each end of the financial reporting period. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension liability.

As at December 31, 2020 and 2019, pension asset included under "Other noncurrent assets" in the consolidated statements of financial position amounted to nil and ₱5.4 million, respectively, and pension liability amounted to ₱676.1 million and ₱393.2 million, respectively (see Notes 13 and 36).

#### *Estimating Fair Value of Share-based Payment Transactions*

The Parent Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 19. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may no longer affect the stock compensation costs charged to operations.



The cost of share-based payment plan recognized as expense in 2020, 2019 and 2018, with a corresponding charge to the equity account, amounted to ₱71.1 million, ₱130.5 million and ₱102.4 million, respectively (see Notes 19 and 27). As at December 31, 2020 and 2019, the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱441.6 million and ₱370.5 million, respectively (see Note 19).

*Estimating Recoverability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting to ₱607.3 million and ₱498.3 million as at December 31, 2020 and 2019, respectively (see Note 37).

As at December 31, 2020 and 2019, the Group has temporary difference amounting to ₱1,669.7 million and ₱1,774.8 million, respectively, for which no deferred income tax assets were recognized because it is more likely than not that the carryforward benefits will not be realized in the future (see Note 37).

*Determining Fair Values of Financial Instruments*

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 39).

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#### 4. Cash and Cash Equivalents

	2020	2019
Cash on hand and with banks	<b>₱2,034,084</b>	₱731,522
Cash under managed funds	<b>1,634,697</b>	114,804
Short-term cash investments	<b>8,166,420</b>	11,096,802
	<b>₱11,835,201</b>	₱11,943,128

Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates. The carrying value of cash and cash equivalents approximates their fair value as at the end of the financial reporting period.

The Group has US\$ denominated cash and cash equivalents amounting to US\$193.0 million, equivalent to ₱9,270.2 million, and US\$161.0 million, equivalent to ₱8,149.7 million, as at December 31, 2020 and 2019, respectively (see Note 38).

Interest income from cash and cash equivalents amounted to ₱85.7 million, ₱239.0 million and ₱188.1 million in 2020, 2019 and 2018, respectively (see Note 29).



## 5. Trade and Other Receivables

	2020	2019
Trade (see Note 34)	₱1,011,732	₱662,872
Current portion of loan receivable (see Note 40a)	255,411	248,910
Advances to officers and employees	30,737	32,680
Interest receivable	24,150	54,533
Amounts owed by related parties (see Note 34)	7,188	7,446
Others	143,467	93,415
	<b>1,472,685</b>	<b>1,099,856</b>
Less allowance for ECL	33,765	34,199
	<b>₱1,438,920</b>	<b>₱1,065,657</b>

The movements of allowance for ECL follows:

2020	Trade	Others	Total
<b>Balances at January 1</b>	<b>₱20,345</b>	<b>₱13,854</b>	<b>₱34,199</b>
<b>Foreign exchange adjustments</b>	<b>(434)</b>	<b>–</b>	<b>(434)</b>
<b>Balances at December 31</b>	<b>₱19,911</b>	<b>₱13,854</b>	<b>₱33,765</b>
2019	Trade	Others	Total
Balances at January 1	₱42,706	₱14,664	₱57,370
Provisions (see Note 31)	–	193	193
Reversals (see Note 31)	(16,019)	(1,003)	(17,022)
Write-off	(5,817)	–	(5,817)
Foreign exchange adjustments	(525)	–	(525)
Balances at December 31	₱20,345	₱13,854	₱34,199

Trade receivables are noninterest-bearing and are generally on seven (7) to sixty (60)-days' term, except for the usage fee billed to THNC which is collected on a semi-annual basis.

Loan receivable pertains to the loan issued by CMC to East Coast Mineral Resources Co., Inc. (East Coast), which will be settled based on the agreed repayment terms (see Note 40a).

Advances to officers and employees are noninterest-bearing and are generally subject to liquidation or collectible through salary deduction.

Interest receivable is derived from short-term cash investments placed in various local/foreign banks, which are collectible upon maturity, from debt securities and long-term negotiable instruments which are collectible either monthly, quarterly or semi-annually, and from loan issued to East Coast which is collectible based on the agreed repayment terms.

Amounts owed by related parties are noninterest-bearing with no fixed maturities and are generally collectible on demand.

Other receivables include advances to third party companies which are noninterest-bearing, with no fixed maturities and are generally collectible on demand. These also include despatch receivables which are generally on seven (7) to thirty (30)-days' terms.



The Group has US\$ denominated trade and other receivables amounting to US\$16.1 million, equivalent to ₱772.2 million, and US\$15.0 million, equivalent to ₱757.7 million, as at December 31, 2020 and 2019, respectively (see Note 38).

## 6. Inventories

	2020	2019
Beneficiated nickel ore and limestone - at cost	₱2,002,047	₱2,710,844
Beneficiated nickel ore - at NRV	518,857	826,742
Materials and supplies:		
At NRV	329,177	370,318
At cost	30,845	32,201
Current portion of long-term stockpile inventory (see Note 12)	49,422	55,306
	<b>₱2,930,348</b>	<b>₱3,995,411</b>

The movements of allowance for impairment losses on inventories follows:

2020	Beneficiated nickel ore	Materials and supplies	Total
<b>Balances at January 1</b>	<b>₱66,523</b>	<b>₱47,941</b>	<b>₱114,464</b>
<b>Provisions</b> (see Note 31)	-	21,250	21,250
<b>Reversals</b> (see Note 31)	(23,999)	-	(23,999)
<b>Balances at December 31</b>	<b>₱42,524</b>	<b>₱69,191</b>	<b>₱111,715</b>

2019	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱66,523	₱36,350	₱102,873
Provisions (see Note 31)	-	11,591	11,591
Balances at December 31	₱66,523	₱47,941	₱114,464

As at December 31, 2020 and 2019, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱561.4 million and ₱893.3 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱398.4 million and ₱418.3 million, respectively.

Costs of inventories charged as expense amounted to ₱7,696.7 million, ₱7,459.9 million and ₱7,271.1 million in 2020, 2019 and 2018, respectively (see Notes 21, 22, 23, 25 and 26).

## 7. Financial Assets

	2020			2019		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Quoted instruments:						
Debt securities	₱1,826,274	₱2,548,760	₱210,000	₱625,374	₱2,730,168	₱454,217
Equity securities	1,431,491	-	-	1,170,193	-	-
Unquoted equity instruments	495,683	-	-	706,982	-	-
	<b>₱3,753,448</b>	<b>₱2,548,760</b>	<b>₱210,000</b>	<b>₱2,502,549</b>	<b>₱2,730,168</b>	<b>₱454,217</b>



The Group's financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, mutual funds, golf club shares and debt securities which are either unquoted or with quoted market prices. Quoted and unquoted instruments are carried either at fair market value or at amortized cost as at the end of the financial reporting period.

The movements in financial assets follows:

	2020			2019		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Balances at January 1	₱2,502,549	₱2,730,168	₱454,217	₱2,006,646	₱2,608,301	₱531,770
Additions	3,251,019	4,639,845	-	1,233,067	2,238,853	58,447
Disposals	(1,947,411)	(4,837,255)	-	(1,065,977)	(2,224,075)	-
Redemption	-	-	(244,217)	-	-	(136,000)
Effect of changes in foreign exchange rate (see Note 31)	(10,909)	(7,543)	-	(18,912)	(26,843)	-
Net valuation gains (losses) on financial assets	(41,800)	23,545	-	347,725	133,932	-
Balances at December 31	3,753,448	2,548,760	210,000	2,502,549	2,730,168	454,217
Less noncurrent portion	906,626	-	110,000	851,266	-	210,000
Current portion	₱2,846,822	₱2,548,760	₱100,000	₱1,651,283	₱2,730,168	₱244,217

The movements in "Net valuation gains (losses) on financial assets at FVOCI" presented as a separate component of equity follows:

	2020	2019
Balances at January 1	₱32,243	(₱92,504)
Movements recognized in equity:		
Gains recognized in equity	70,702	152,987
Reclassification adjustments for income included in the consolidated statements of income (see Note 31)	(47,157)	(19,055)
Income tax effect	1,983	(9,185)
Valuation gains taken into the consolidated statements of comprehensive income - net of tax	25,528	124,747
Balances at December 31	₱57,771	₱32,243

Dividend income from equity securities amounted to ₱33.5 million, ₱45.5 million and ₱38.8 million in 2020, 2019 and 2018, respectively, of which ₱15.3 million in 2020, ₱22.9 million in 2019 and ₱15.3 million in 2018 relates to dividends coming from investments in unquoted equity securities (see Note 31), while interest income from debt securities amounted to ₱124.4 million, ₱130.2 million and ₱133.7 million in 2020, 2019 and 2018, respectively (see Note 29).

The Group sold some of its debt and equity securities at a gain of ₱47.2 million in 2020, ₱19.3 million in 2019 and at a loss of ₱47.1 million in 2018 (see Note 31).

In 2020, 2019 and 2018, the Group did not recognize any provision for ECL on its financial assets at FVOCI and at amortized cost.

As at December 31, 2020, the Group has US\$ denominated financial assets at FVTPL and at FVOCI amounting to US\$47.8 million, equivalent to ₱2,293.7 million, and US\$4.2 million, equivalent to ₱199.9 million, respectively. As at December 31, 2019, the Group has US\$ denominated financial



assets at FVTPL and at FVOCI amounting to US\$21.8 million, equivalent to ₱1,102.4 million, and US\$15.0 million, equivalent to ₱760.5 million, respectively (see Note 38).

## 8. Prepayments and Other Current Assets

	2020	2019
Prepaid rent and others	<b>₱115,614</b>	₱109,459
Input VAT (net of allowance for impairment losses of ₱54.8 million as at December 31, 2020 and 2019)	<b>110,073</b>	147,368
Advances and deposits to suppliers and contractors (net of allowance for impairment losses of nil and ₱514.7 million as at December 31, 2020 and 2019, respectively)	<b>47,210</b>	26,050
Prepaid taxes	<b>32,623</b>	46,545
Tax credit certificates (net of allowance for impairment losses of nil and ₱0.5 million as at December 31, 2020 and 2019, respectively)	<b>3,541</b>	30,901
Prepaid insurance	<b>2,858</b>	3,070
Current portion of advances to claimowner	–	30,000
	<b>₱311,919</b>	<b>₱393,393</b>

Prepayments are amortized within three (3) to twelve (12) months from the end of the financial reporting period.

Input VAT represents the VAT passed on from purchases of applicable goods and services which can be recovered as tax credit against future output VAT from the sale of goods and/or services of the Group.

Advances and deposits to suppliers and contractors include security deposits and payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and/or completion of services.

Prepaid taxes represent certificates of creditable withholding taxes for services rendered to other parties which can be recovered as tax credits against certain future tax liabilities of the Group.

Tax credit certificates are tax refunds received by the Group.

The interest income from current portion of long-term negotiable instruments which matured in October 2019 and earned interest at 5.25% per annum (p.a.) amounted to nil in 2020, ₱1.0 million in 2019 and ₱1.3 million in 2018 (see Note 29).





## 9. Property and Equipment

	2020								
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	ROU Asset - Land, Building and Improvements	Transmission Lines and Substations	Solar Farm	Construction In-progress	Total
<b>Cost:</b>									
Balances at January 1	₱292,343	₱781,289	₱12,815,331	₱4,139,060	₱666,583	₱935,461	₱1,897,841	₱6,493,895	₱28,021,803
Additions	550	–	1,053,291	20,343	32,714	460	–	1,035,521	2,142,879
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 16)	–	155,884	–	–	–	–	–	–	155,884
Capitalized borrowing cost (see Note 15)	–	–	–	–	–	–	–	1,839	1,839
Disposals	–	–	(381,619)	(60,216)	–	–	–	–	(441,835)
Transfers/reclassification	–	–	44,754	40,637	–	–	52,128	(137,635)	(116)
<b>Balances at December 31</b>	<b>292,893</b>	<b>937,173</b>	<b>13,531,757</b>	<b>4,139,824</b>	<b>699,297</b>	<b>935,921</b>	<b>1,949,969</b>	<b>7,393,620</b>	<b>29,880,454</b>
<b>Accumulated depreciation, amortization and depletion:</b>									
Balances at January 1	12,562	329,165	8,948,892	2,181,778	39,081	107,593	374,540	–	11,993,611
Depreciation, amortization and depletion (see Note 28)	2,316	25,791	947,267	271,595	42,116	33,434	109,003	–	1,431,522
Disposals	–	–	(379,330)	(54,934)	–	–	–	–	(434,264)
<b>Balances at December 31</b>	<b>14,878</b>	<b>354,956</b>	<b>9,516,829</b>	<b>2,398,439</b>	<b>81,197</b>	<b>141,027</b>	<b>483,543</b>	<b>–</b>	<b>12,990,869</b>
<b>Net book values</b>	<b>₱278,015</b>	<b>₱582,217</b>	<b>₱4,014,928</b>	<b>₱1,741,385</b>	<b>₱618,100</b>	<b>₱794,894</b>	<b>₱1,466,426</b>	<b>₱7,393,620</b>	<b>₱16,889,585</b>



2019

	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	ROU Asset - Land, Building and Improvements	Transmission Lines and Substations	Solar Farm	Construction In-progress	Total
Cost:									
Balances at January 1, as previously reported	₱292,343	₱576,523	₱11,601,274	₱3,979,217	₱-	₱935,461	₱1,946,402	₱6,470,243	₱25,801,463
Effect of PFRS 16 adoption	-	-	-	-	635,282	-	-	-	635,282
Balances at January 1, as restated	292,343	576,523	11,601,274	3,979,217	635,282	935,461	1,946,402	6,470,243	26,436,745
Additions	-	-	1,280,804	45,126	31,301	-	250	203,576	1,561,057
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 16)	-	204,766	-	-	-	-	-	-	204,766
Disposals	-	-	(124,034)	(3,979)	-	-	(17,049)	-	(145,062)
Transfers/reclassification	-	-	57,287	118,696	-	-	(31,762)	(179,924)	(35,703)
Balances at December 31	292,343	781,289	12,815,331	4,139,060	666,583	935,461	1,897,841	6,493,895	28,021,803
Accumulated depreciation, amortization and depletion:									
Balances at January 1	10,151	309,070	8,136,888	1,923,119	-	74,224	269,791	-	10,723,243
Depreciation, amortization and depletion (see Note 28)	2,411	20,095	934,218	260,376	39,081	33,369	108,760	-	1,398,310
Disposals	-	-	(122,300)	(1,717)	-	-	(1,957)	-	(125,974)
Transfers/reclassification	-	-	86	-	-	-	(2,054)	-	(1,968)
Balances at December 31	12,562	329,165	8,948,892	2,181,778	39,081	107,593	374,540	-	11,993,611
Net book values	₱279,781	₱452,124	₱3,866,439	₱1,957,282	₱627,502	₱827,868	₱1,523,301	₱6,493,895	₱16,028,192

Construction in-progress includes the costs incurred to date for the Biliran Geothermal Project.

The 7MW Sta. Rita Solar Power Plant was pledged as collateral for JSI's borrowing with Land Bank of the Philippines (LBP). In November 2019, JSI made a full settlement of its loan from LBP, which also resulted to the release of mortgage and collaterals pledged (see Note 15).

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

Depreciation on the excess of the fair value of the assets acquired from RTN over their corresponding book values transferred to retained earnings amounted to ₱0.4 million in 2020, 2019 and 2018.



## 10. Investments in Associates

	2020	2019
THNC	<b>₱2,346,652</b>	₱2,228,384
CBNC	<b>847,259</b>	1,031,351
	<b>₱3,193,911</b>	₱3,259,735

The movements in investments in associates follows:

	2020			2019		
	THNC	CBNC	Total	THNC	CBNC	Total
Balances 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)	228,334	(37,887)	190,447	56,067	(45,684)	10,383
Dividends declared	-	-	-	-	(104,818)	(104,818)
	(19,854)	39,092	19,238	(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	(110,066)	(146,205)	(256,271)	(75,595)	(110,824)	(186,419)
	391,806	83,757	475,563	501,872	229,962	731,834
Balances at December 31	₱2,346,652	₱847,259	₱3,193,911	₱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 ₱93.6 million and ₱119.2 million as at December 31, 2020 and 2019, respectively (see Note 37).

### **THNC**

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any and all ingredient and products and by-products, wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach (HPAL) facility. TMC also provides services related to the handling, hauling and transportation of materials required in the processing operations of THNC. THNC started commercial operations in October 2013.

The Parent Company, together with Sumitomo Metal Mining Co., Ltd. (SMM) and Mitsui and Co., Ltd. (Mitsui) signed a Stockholders' Agreement on September 15, 2010, dividing the ownership of THNC, into 22.5%, 62.5% and 15.0%, respectively.

On November 4, 2010, pursuant to the terms of the Stockholders' Agreement, the Parent Company entered into a subscription agreement with THNC for the subscription of 921,375,000 common shares for a total amount of US\$102.4 million or ₱4,443.1 million which is equivalent to 22.5% interest in THNC.

On October 17, 2016, the Parent Company sold a portion of its shareholdings in THNC, equivalent to 511,875,000 shares or 12.5% interest in THNC, to SMM for US\$42.0 million, which is equivalent to ₱2,037.2 million (see Note 40o).

THNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱48.02 and US\$1 = ₱50.64 as at December 31, 2020 and 2019, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱49.63 and US\$1 = ₱51.79, respectively, for the statement of income accounts for the years then ended.



The following are the summarized financial information of THNC as at and for the years ended December 31, 2020 and 2019:

	2020	2019
Current assets	<b>₱9,553,413</b>	₱9,571,322
Noncurrent assets	<b>73,157,541</b>	77,300,644
Current liabilities	<b>(50,895,975)</b>	(44,132,569)
Noncurrent liabilities	<b>(10,729,506)</b>	(22,836,605)
Net assets	<b>₱21,085,473</b>	₱19,902,792

	2020	2019
Revenue	<b>₱19,593,610</b>	₱20,939,980
Expenses	<b>(17,310,268)</b>	(20,379,312)
Net income	<b>₱2,283,342</b>	₱560,668

### ***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.

CBNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱48.02 and US\$1 = ₱50.65 as at December 31, 2020 and 2019, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱49.63 and US\$1 = ₱51.79, respectively, for the statement of income accounts for the years then ended.

The following are the summarized financial information of CBNC as at and for the years ended December 31, 2020 and 2019:

	2020	2019
Current assets	<b>₱10,652,626</b>	₱9,526,759
Noncurrent assets	<b>17,357,675</b>	20,527,617
Current liabilities	<b>(1,017,741)</b>	(1,265,366)
Noncurrent liabilities	<b>(252,914)</b>	(208,439)
Net assets	<b>₱26,739,646</b>	₱28,580,571

	2020	2019
Revenue	<b>₱11,296,983</b>	₱12,242,539
Expenses	<b>(11,675,859)</b>	(12,699,375)
Net loss	<b>(₱378,876)</b>	(₱456,836)



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## 11. Geothermal Exploration and Evaluation Assets

	2020	2019
Balances at January 1	₱1,811,711	₱1,793,444
Additions	8,148	18,267
Balances at December 31	<u>₱1,819,859</u>	<u>₱1,811,711</u>

Geothermal exploration and evaluation assets represent the accumulated costs incurred in connection with the exploration and development activities for the Montelago Geothermal Project. The recovery of these costs depends upon determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities.

As at December 31, 2020 and 2019, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

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## 12. Long-term Stockpile Inventory

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN in August 2006. The low grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 34a). Subsequently, this fair value represented the cost of the long-term stockpile inventory.

The cost of the long-term stockpile inventory is periodically charged to cost of sale of ore based on the actual tonnage delivered to CBNC from the long-term stockpile. The cost of long-term stockpile inventory amounting to ₱111.5 million, nil and ₱218.7 million were charged to "Cost of sale of ore and limestone" in 2020, 2019, and 2018, respectively (see Note 21).

A portion amounting to ₱49.4 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 December 31, 2020 and 2019, respectively (see Note 6).

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



### 13. Other Noncurrent Assets

	2020	2019
Deferred mine exploration costs	<b>₱1,348,515</b>	₱1,313,546
Advances and deposits to suppliers and contractors - net of current portion (net of allowance for impairment losses of ₱514.7 million as at December 31, 2020)	<b>832,668</b>	172,643
Input VAT - net of current portion	<b>742,694</b>	759,620
MRF	<b>533,555</b>	511,881
Loan receivable - net of current portion (see Note 40a)	<b>305,525</b>	574,880
Project development costs	<b>118,287</b>	102,387
SDMP funds	<b>67,637</b>	71,926
Advance royalties	<b>55,904</b>	55,184
Long-term negotiable instruments	<b>40,000</b>	40,000
Computer software	<b>36,079</b>	28,889
Investment properties	<b>29,000</b>	29,000
Advances to claimowners (see Note 40e)	-	55,053
Pension asset (see Note 36)	-	5,361
Others	<b>44,345</b>	3,649
	<b>4,154,209</b>	3,724,019
Less allowance for impairment losses	<b>780,134</b>	250,092
	<b>₱3,374,075</b>	₱3,473,927

The movements of allowance for impairment losses follows:

2020	Advances and deposits to suppliers and contractors	Deferred mine exploration costs	Input VAT	Total
Balances at January 1	₱-	₱143,593	₱106,499	₱250,092
Reclassification from Prepayments and other current assets	514,706	-	-	514,706
Provisions (see Note 31)	15,336	-	-	15,336
<b>Balances at December 31</b>	<b>₱530,042</b>	<b>₱143,593</b>	<b>₱106,499</b>	<b>₱780,134</b>

2019	Advances and deposits to suppliers and contractors	Deferred mine exploration costs	Input VAT	Total
Balances at January 1	₱-	₱143,593	₱105,774	₱249,367
Provisions (see Note 31)	-	-	725	725
<b>Balances at December 31</b>	<b>₱-</b>	<b>₱143,593</b>	<b>₱106,499</b>	<b>₱250,092</b>

Deferred mine exploration costs include mining rights of ₱945.6 million as at December 31, 2020 and 2019, respectively.

Advances and deposits to suppliers and contractors represent payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and/or completion of services. This includes the advances made to Asiacrest Marketing Corporation



(Asiacrest) which is related to the Engineering Procurement Construction (EPC) Contract for the 100MW solar power plant in Subic. As at December 31, 2020, there was a pending case against Asiacrest and First Integrated Bonding and Insurance Co. (FIBIC), the surety which secured Asiacrest's performance of its obligation, jointly and severally liable to the extent of the value of the performance bond, for the breach of EPC contract and doubts have been raised on the financial capacity of these companies. JSI has assessed the current financial position of Asiacrest and FIBIC and the increase in the credit risk associated to advance payment it has made to Asiacrest. As a result, in 2018, a provision for impairment losses amounting to ₱514.7 million was recognized (see Note 31).

Input VAT represents the VAT passed on from purchases of applicable goods and services. Input VAT, in excess of output tax, can be recovered as tax credit against future tax liability of the Group. The noncurrent portion of input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly over the life of the capital goods or five (5) years, whichever is shorter. The balance is recoverable in future periods.

MRF, which includes the Final Mine Rehabilitation and Decommissioning Fund, is the amount deposited in local bank accounts established by the Group in compliance with the requirements of the Philippine Mining Act of 1995 as amended by Department of Environment and Natural Resources (DENR) Administrative Order No. 2005-07. The MRF is earmarked for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. Any disbursement in the MRF should be authorized by the MRF Committee, the external overseeing body charged with the duties of managing, operating, monitoring and looking after the safety of the MRF. The MRF earns interest at the respective bank deposit rates. Interest income from MRF amounted to ₱4.1 million, ₱7.1 million and ₱5.0 million in 2020, 2019 and 2018, respectively (see Note 29).

Loan receivable pertains to the loan issued by CMC to East Coast, which will be settled based on the agreed repayment terms (see Note 40a).

Project development cost pertains to the development cost incurred for various projects of EPI and JSI.

The SDMP funds shall be used for the sustainable development of the host and neighboring communities of the mine site. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the Mines and Geosciences Bureau (MGB). Interest income from SDMP funds amounted to ₱0.2 million in 2020, 2019 and 2018 (see Note 29).

Advance royalties pertain to royalty payments to MGB.

The long-term negotiable instruments will mature in 2023 and earn interest at 3.87% p.a. and 4.50% p.a. Interest income from long-term negotiable instruments amounted to ₱1.4 million in 2020 and 2019 and ₱1.0 million in 2018 (see Note 29).

Computer software pertains to computer licenses which are subject to amortization over a certain period. In 2020, 2019 and 2018, the amortization of computer software amounted to ₱13.7 million, ₱6.1 million and ₱3.0 million, respectively (see Note 28).

Investment properties consist of parcels of land located in Surigao City, which is intended for leasing to THNC in the future.





As at December 31, 2020 and 2019, the carrying values of the Group's investment properties amounted to ₱29.0 million, and the appraised value of the land using Market Data/Sales Comparison Approach amounted to ₱44.4 million, with a zonal value of ₱6.4 million. In 2020, 2019 and 2018, no income was earned and no direct expenses, other than real property tax, were incurred related to the investment properties.

Advances to claimowners represent advance royalty payments to East Coast, La Salle Mining Exploration Company (La Salle), Kepha Mining Exploration Limited Company (Kepha) and Ludgoron Mining Corporation (Ludgoron; see Note 40e).

Deposit for aircraft acquisition pertains to advance payments made by RTN to World Aviation Corporation (WAC) in 2013, for an absolute and exclusive right to purchase an aircraft which is exercisable within twelve (12) years. In August 2019, RTN assigned the option to purchase the aircraft to CPDL for US\$ 0.9 million and written-off the balance of ₱51.1 million (see Notes 31 and 40q).

#### 14. Trade and Other Payables

	2020	2019
Trade (see Note 34)	<b>₱912,630</b>	₱731,244
Amounts owed to related parties (see Note 34)	<b>5,331,302</b>	5,330,216
Dividends payable (see Note 34)	<b>627,700</b>	574,400
Accrued expenses (see Note 34)	<b>529,394</b>	469,099
Government payables:		
Excise taxes and royalties payable	<b>306,296</b>	204,628
Withholding taxes payable	<b>161,335</b>	136,308
Output VAT	<b>7,406</b>	10,364
Fringe benefit taxes (FBT) payable	<b>972</b>	826
Documentary stamp taxes (DST) payable	<b>119</b>	337
Contract liability	<b>22,331</b>	25,949
Interest payable (see Note 34)	<b>9,950</b>	11,365
Deferred income	<b>4,466</b>	4,472
Retention fees payable	<b>949</b>	3,528
Others	<b>118,825</b>	28,122
	<b>₱8,033,675</b>	₱7,530,858

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled within one (1) year. Trade payables relate to payables to suppliers in the ordinary course of business. Accrued expenses substantially consist of contractor's fees, trucking and stevedoring services, hauling and rental expenses, guarantee service fees and others which are usual in the business operations of the Group.

Amounts owed to related parties pertain to advances received from Orka Geothermal Investments Pte. Ltd. (OGIPL) and Biliran Geothermal Holdings Incorporated (BGHI) which were used in the drilling operations of BGI. This also includes miscellaneous expenses paid by these related parties in behalf of BGI.

Dividends payable refers to the cash dividends declared by TMC and RTN to PAMCO and Sojitz Corporation (Sojitz) in December 2020 and 2019 and payable in January of the following year. The amount is net of final withholding tax.



Government payables include withholding taxes which are normally settled within ten (10) to fifteen (15) days after the end of each financial reporting month or thirty (30) days after the end of each financial reporting quarter, and FBT which are normally settled within thirty (30) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore, limestone and quarry materials were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties. DST is normally settled within five (5) days after the close of the month when the taxable document was issued.

Contract liability pertains to the advance payment received by RTN from CBNC for the materials handling services rendered by RTN from CBNC's stockyard to plant site.

Interest payable on loans is settled based on the agreed payment terms.

Retention fees payable pertains to the amount retained by the Group from its suppliers/contractors and will be paid after the completion of the construction of the projects.

The Group has US\$ denominated trade and other payables amounting to US\$49.5 million, equivalent to ₱2,375.3 million, and US\$23.5 million, equivalent to ₱1,190.0 million, as at December 31, 2020 and 2019, respectively (see Note 38).

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## 15. 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. Proceeds of the loan drawdowns were used by EPI to settle the promissory notes under the original SBC loan facility, which matured in 2019.

At maturity date, EPI requested another approval from SBC for the renewal of their original loan facility to the extent of ₱1,500.0 million which was approved on September 29, 2020. 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 (see Note 40r).

Details of the drawdowns are as follows:

2020					
Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 20, 2020	July 15, 2021	5.75%	₱300,000	₱2,219
Second	September 10, 2020	September 3, 2021	5.75%	1,200,000	8,828
				<b>₱1,500,000</b>	<b>₱11,047</b>



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
				<b>₱1,500,000</b>	<b>₱11,097</b>

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

	2020	2019
Loans payable	<b>₱1,500,000</b>	₱1,500,000
Less unamortized debt issue cost	<b>(7,346)</b>	(7,596)
Balances at December 31	<b>₱1,492,654</b>	₱1,492,404

Debt issue costs pertain to DST and other transaction costs incurred in connection with the availment of the loans. These are deducted from the amount of loans payable and are amortized using the EIR method.

The movements of the unamortized debt issue costs in 2020 and 2019 are as follows:

	2020	2019
Balances at January 1	<b>₱7,596</b>	₱7,732
Additions	<b>11,047</b>	11,097
Amortization	<b>(11,297)</b>	(11,233)
Balances at December 31	<b>₱7,346</b>	₱7,596

Interest expense in 2020 and 2019 are summarized below:

	2020	2019
Interest on loans	<b>₱93,750</b>	₱106,489
Amortization of debt issue costs	<b>11,297</b>	11,233
	<b>₱105,047</b>	₱117,722

There were no capitalized borrowing costs pertaining to short-term debts in 2020, 2019 and 2018.

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise, vis-a-vis such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at December 31, 2020 and 2019, EPI has been compliant with the covenants contained in the loan facility and agreements.



Long-term debts

Long-term debts of the following subsidiaries are as follows:

	2020	2019
TMC	<b>₱882,423</b>	₱1,019,029
JSI	<b>95,026</b>	–
	<b>977,449</b>	1,019,029
Less noncurrent portion:		
TMC	<b>798,383</b>	930,418
JSI	<b>95,026</b>	–
	<b>893,409</b>	930,418
Current portion	<b>₱84,040</b>	₱88,611

TMC Loan

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 2.00% spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone (TSEZ). The loan is unsecured and shall be drawn down 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 December 31, 2020 and 2019, TMC is in compliance with the restrictions.

Interest expense in 2020, 2019 and 2018 amounted to ₱31.5 million, ₱49.6 million and ₱51.6 million, respectively (see Notes 30 and 34).

As at December 31, 2020 and 2019, the carrying amount of long-term debt with THNC amounted to ₱882.4 million and ₱1,019.0 million, respectively (see Note 34).

The US\$ denominated long-term debts amounted to US\$18.4 million, equivalent to ₱882.4 million, and US\$20.1 million, equivalent to ₱1,019.0 million, as at December 31, 2020 and 2019, respectively (see Note 38).

JSI Loan

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.



Details of the drawdowns are as follows:

Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 23, 2020	June 17, 2025	5.00%	₱60,806	₱456
Second	August 27, 2020	June 17, 2025	5.00%	24,127	181
Third	November 23, 2020	June 17, 2025	5.00%	10,761	81
				<b>₱95,694</b>	<b>₱718</b>

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

	2020	2019
Loans payable	<b>₱95,694</b>	₱-
Less unamortized debt issue cost	<b>(668)</b>	-
<b>Balances at December 31</b>	<b>₱95,026</b>	<b>₱-</b>

The capitalized borrowing cost pertaining to this loan amounted to ₱1.8 million in 2020 and nil in 2019 and 2018 (see Note 9).

#### *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% 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 1.00% of each interest payment.

The loan is secured by the following:

- Chattel mortgage on the 7MW Sta. Rita Solar Power Plant (see Note 9)
- Corporate guarantee of EPI
- Assignment of leasehold rights between JSI and Subic Bay Metropolitan Authority (SBMA) 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 facility, Subic Gateway Park, SBFZ
- 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. As at December 31, 2020 and 2019, JSI has been compliant with the covenants contained in the loan agreement. On November 18, 2019, JSI paid in full the remaining balance of the loan.

Interest expense in 2020 and 2019 are summarized below:

	2020	2019
Interest on loans	₱-	₱14,314
Amortization of debt issue costs	-	1,747
	<b>₱-</b>	<b>₱16,061</b>



## 16. Provision for Mine Rehabilitation and Decommissioning

	2020	2019
Balances at January 1	P493,731	P274,227
Effect of change in estimate (see Note 9)	155,884	204,766
Accretion of interest on provision for mine rehabilitation and decommissioning (see Note 30)	14,764	14,738
<b>Balances at December 31</b>	<b>P664,379</b>	<b>P493,731</b>

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

## 17. Long-term Payable

On December 14, 2015, CExCI and the stockholders of Newminco entered into a Share Purchase Agreement (SPA) wherein CExCI agreed to acquire 100% equity interest of Newminco, on a deferred payment basis, for a total consideration of P64.8 million.

Upon execution of the SPA, a downpayment of P30.8 million was paid and the remaining balance of P34.0 million, which is noninterest-bearing, is payable over a seven (7) year period. The total principal is payable in annual installment of P5.0 million starting in 2017 up to 2020 and annual installment of P7.0 million for the remaining term of the SPA. The unamortized discount on deferred payment, at 4.58% risk free rate, amounted to P0.9 million and P1.7 million as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the carrying amount of long-term payable, net of unamortized discount, follows:

	2020	2019
Long-term payable	P14,000	P19,000
Less unamortized discount	907	1,700
	13,093	17,300
Less noncurrent portion	6,093	12,300
<b>Current portion</b>	<b>P7,000</b>	<b>P5,000</b>



In 2020, 2019 and 2018, the accretion of interest on long-term payable amounted to ₱0.8 million, ₱1.0 million and ₱1.2 million, respectively (see Note 30).

## 18. Equity

### Capital Stock

The capital structure of the Parent Company follows:

	2020	2019
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares		
Issued - 13,685,272,117 shares in 2020 and 2019		
Outstanding - 13,630,850,117 shares in 2020 and 13,651,538,117 shares in 2019	<b>₱6,842,636</b>	₱6,842,636
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	<b>7,200</b>	7,200
	<b>₱6,849,836</b>	₱6,849,836

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7.00% p.a.

### Issued Capital Stock

Beginning November 22, 2010, the common shares of the Parent Company were listed and traded in PSE with an initial public offering of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱1.48 per share after the stock dividends.

As at December 31, 2020 and 2019, a total of 4,034,433,405 common shares and 4,367,937,638 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty-three (83) and ninety-two (92) shareholders, respectively, while the balance of 9,596,416,712 common shares and 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 year	-	(20,688,000)	(20,688,000)
Balances at December 31, 2020	13,685,272,117	(54,422,000)	13,630,850,117

On March 24, 2014, the BOD of the Parent Company approved the ESOP (2014 ESOP; the Plan) which was ratified by the Parent Company's stockholders on June 6, 2014. On November 21, 2014, the Plan was approved by the SEC. A total of 32.0 million shares of stock were reserved for issue under the Plan.

On April 5, 2018, the BOD of the Parent Company approved the adoption of a new ESOP (2018 ESOP; the New Plan) which was ratified by the Parent Company's stockholders on May 28, 2018. As at March 11, 2021, the New Plan is yet to be approved by the SEC. A total of



375.0 million shares of stock were reserved for issue under the New Plan.

The basic terms and conditions of the stock option plans are disclosed in Note 19.

### Dividends

Dividends declared and paid by the Parent Company follows:

Year	Type of Dividend	Date of Declaration	Date of Record	Amount Declared	Dividend per Share	Date of Payment/Issuance
2020	<i>Cash Dividends</i>					
	Regular	March 13, 2020	March 27, 2020	₱1,090,638	₱0.08	April 8, 2020
	Special	August 7, 2020	August 24, 2020	2,998,787	0.22	September 4, 2020
2019	<i>Cash Dividends</i>	March 14, 2019	March 28, 2019	₱957,248	₱0.07	April 12, 2019
2018	<i>Cash Dividends</i>					
	Regular	March 14, 2018	March 28, 2018	₱912,351	₱0.12	April 10, 2018
	Special	August 28, 2018	September 11, 2018	2,280,879	0.30	September 27, 2018
	<i>Stock Dividends</i>	August 28, 2018	October 23, 2018	3,041,171	80%	November 20, 2018

### Appropriation of Retained Earnings

#### *Parent Company*

On November 27, 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the Parent Company. And on November 6, 2020, the Parent Company's BOD approved the reversal of the appropriation of up to ₱1,365.0 million which took effect on December 2, 2020, the end of the Parent Company's share buy-back program.

On November 5, 2013, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,000.0 million, for the construction, operation and maintenance of a bunker-fired diesel power station. In 2018, the power plant started the commercial operations of the two (2) generator sets, hence the reversal of the appropriation which was approved by the Parent Company's BOD on August 7, 2018 (see Note 40g).

#### *HMC*

On December 17, 2020, the BOD of HMC approved the reversal of the ₱85.6 million appropriation following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱54.9 million for HMC's capital expenditures for the year 2021.

On December 20, 2019, the BOD of HMC approved the reversal of the ₱318.6 million appropriation following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱85.6 million for HMC's capital expenditures for the year 2020.

On December 6, 2018, the BOD of HMC approved the reversal of the ₱95.6 million appropriation following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱318.6 million for HMC's capital expenditures for the year 2019.

### Treasury Stock

On November 27, 2018, the BOD of the Parent Company approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Parent Company's common shares up to an aggregate value of ₱1,500.0 million. As at December 31, 2019, the Parent Company purchased from the market 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. As at December 31, 2020, the Parent





Company purchased from the market a total of 54,422,000 of its own common shares at an average price of ₱2.4625 per share or a total of ₱134.0 million.

## 19. Executive Stock Option Plan

### 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 March 11, 2021, 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, which was further increased to 375.0 million shares, allocated to the Parent Company's eligible participants.
2. The eligible participants are the directors and officers of the Parent Company and its operating subsidiaries, including CExCI, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱4.38, which is equivalent to ₱2.43 after the effect of stock dividends.
4. The New Plan was 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 at the 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 operating subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise prices 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% after the first year of the New 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.

Except for the increase in number of shares reserved for the exercise of 2018 ESOP, there have been no modifications or cancellations of stock options in 2020 and 2019.

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

	Number of Options		Weighted Average Exercise Price	
	2020	2019	2020	2019
<i>2018 ESOP</i>				
Balances at January 1 and December 31	<b>278,947,780</b>	278,947,780	<b>₱2.43</b>	₱2.43
<i>2014 ESOP</i>				
Balances at January 1	–	103,740,335	<b>₱–</b>	₱8.38
Forfeited	–	(103,740,335)	–	(8.38)
Balances at December 31	–	–	<b>₱–</b>	₱–

As at March 11, 2021, the Parent Company is still waiting for SEC's approval of the exemption from registration of 170,083,608 common shares, which shall form part of the ESOP.



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

	2020	2019
Balances at January 1	₱370,522	₱240,003
Stock option expense (see Note 27)	71,067	130,519
Balances at December 31	<b>₱441,589</b>	₱370,522

The weighted average remaining contractual life of options outstanding under the New Plan was two and a half (2.5) years and three and a half (3.5) years as at December 31, 2020 and 2019, respectively.

In 2020, 2019 and 2018, the cost of share-based payment plan amounting to ₱71.1 million, ₱130.5 million and ₱102.4 million, respectively, are included in “Personnel costs” (see Note 27).

## 20. Earnings Per Share

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

	2020	2019	2018
Net income attributable to equity holders of the parent	<b>₱4,068,732</b>	₱2,684,969	₱3,008,057
Preferred stock dividends	504	504	504
Net income attributable to equity holders of the parent for basic earnings	<b>4,068,228</b>	2,684,465	3,007,553
Dividends on dilutive potential ordinary shares	—	—	—
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	<b>₱4,068,228</b>	₱2,684,465	₱3,007,553
Weighted average number of common shares for basic EPS	<b>13,633,815,950</b>	13,670,302,784	13,684,492,367
Effect of dilution from stock options	—	—	—
Weighted average number of common shares adjusted for the effect of dilution	<b>13,633,815,950</b>	13,670,302,784	13,684,492,367
Basic/Diluted EPS	<b>₱0.30</b>	₱0.20	₱0.22

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the financial reporting period and the date of authorization of the consolidated financial statements.



## 21. Cost of Sales

	2020	2019	2018
Cost of sale of:			
Ore	<b>₱7,027,050</b>	₱6,742,188	₱6,467,649
Limestone	<b>258,285</b>	262,668	303,304
Quarry materials	<b>234,646</b>	101,014	–
	<b>₱7,519,981</b>	₱7,105,870	₱6,770,953

Details of cost of sales follow:

	2020	2019	2018
Production overhead	<b>₱2,479,856</b>	₱3,213,083	₱3,071,357
Outside services	<b>1,827,914</b>	2,105,632	1,858,540
Personnel costs (see Note 27)	<b>1,260,095</b>	1,233,786	1,137,002
Depreciation, amortization and depletion (see Note 28)	<b>799,951</b>	851,193	856,623
Long-term stockpile inventory sold (see Note 12)	<b>111,485</b>	–	218,663
	<b>6,479,301</b>	7,403,694	7,142,185
Net changes in beneficiated nickel ore and limestone	<b>1,040,680</b>	(297,824)	(371,232)
	<b>₱7,519,981</b>	₱7,105,870	₱6,770,953

Production overhead consists of fuel, oil and lubricants, materials and supplies, equipment rentals and other miscellaneous charges.

Outside services pertain to services offered by the contractors related to the mining activities of the Group. These services include, but are not limited to, hauling, stevedoring, maintenance, security and equipment rental.

## 22. Cost of Services

	2020	2019	2018
Personnel costs (see Note 27)	<b>₱126,849</b>	₱101,507	₱97,888
Depreciation (see Note 28)	<b>104,996</b>	107,460	99,651
Overhead	<b>87,329</b>	85,999	83,779
Outside services	<b>9,388</b>	9,846	10,178
Equipment operating cost	–	27,007	26,762
	<b>₱328,562</b>	₱331,819	₱318,258



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### 23. Cost of Power Generation

	2020	2019	2018
Depreciation and amortization (see Note 28)	<b>₱213,975</b>	₱211,076	₱179,392
Overhead	<b>50,711</b>	57,045	64,608
Personnel costs (see Note 27)	<b>25,346</b>	22,742	19,124
Outside services	<b>15,724</b>	14,323	11,771
Materials and supplies	<b>7,494</b>	25,043	16,725
Purchased power	–	33,561	47,442
Distribution wheeling service charges	–	13,677	21,560
	<b>₱313,250</b>	₱377,467	₱360,622

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

Distribution wheeling service charges pertain to the payments made to Manila Electric Company (Meralco) and Leyte V Electric Cooperative (LEYECO V) for the conveyance of electricity through Meralco's and LEYECO V's distribution systems.

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### 24. Excise Taxes and Royalties

	2020	2019	2018
Royalties (see Notes 40e and 40r)	<b>₱1,410,243</b>	₱1,113,324	₱1,094,367
Excise taxes (see Note 40e)	<b>834,159</b>	673,999	709,662
	<b>₱2,244,402</b>	₱1,787,323	₱1,804,029

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### 25. Shipping and Loading Costs

	2020	2019	2018
Contract fees	<b>₱1,352,682</b>	₱1,101,224	₱1,184,594
Supplies and fuel, oil and lubricants	<b>336,107</b>	342,590	380,016
Other services and fees	<b>160,368</b>	103,250	159,351
Depreciation and amortization (see Note 28)	<b>156,616</b>	127,992	140,047
Personnel costs (see Note 27)	<b>117,006</b>	91,960	85,481
	<b>₱2,122,779</b>	₱1,767,016	₱1,949,489



## 26. General and Administrative

	2020	2019	2018
Personnel costs (see Note 27)	<b>₱521,300</b>	₱514,501	₱533,639
Depreciation and amortization (see Note 28)	<b>152,887</b>	98,065	69,871
Taxes and licenses	<b>114,724</b>	138,416	162,794
Outside services	<b>112,877</b>	120,464	124,004
Supplies	<b>26,730</b>	37,555	39,910
Dues and subscription	<b>25,500</b>	20,202	15,905
Transportation and travel	<b>20,682</b>	41,624	36,809
Repairs and maintenance	<b>19,222</b>	12,710	20,184
Publicity and promotion	<b>17,189</b>	35,808	23,960
Communications, light and water	<b>13,817</b>	11,322	12,865
Entertainment, amusement and recreation	<b>10,093</b>	21,948	45,665
Rentals (see Note 34)	<b>9,446</b>	9,782	36,247
Donations	<b>5,705</b>	5,396	3,310
Others	<b>67,494</b>	88,191	87,878
	<b>₱1,117,666</b>	₱1,155,984	₱1,213,041

Other general and administrative expense is composed of other service fees and other numerous transactions with minimal amounts.

## 27. Personnel Costs

	2020	2019	2018
Salaries, wages and employee benefits	<b>₱1,867,870</b>	₱1,748,500	₱1,677,926
Pension cost (see Note 36)	<b>111,659</b>	85,477	92,840
Cost of share-based payment plan (see Note 19)	<b>71,067</b>	130,519	102,368
	<b>₱2,050,596</b>	₱1,964,496	₱1,873,134

The amounts of personnel costs are distributed as follows:

	2020	2019	2018
Cost of:			
Sales (see Note 21)	<b>₱1,260,095</b>	₱1,233,786	₱1,137,002
Services (see Note 22)	<b>126,849</b>	101,507	97,888
Power generation (see Note 23)	<b>25,346</b>	22,742	19,124
General and administrative (see Note 26)	<b>521,300</b>	514,501	533,639
Shipping and loading costs (see Note 25)	<b>117,006</b>	91,960	85,481
	<b>₱2,050,596</b>	₱1,964,496	₱1,873,134



## 28. Depreciation, Amortization and Depletion

The amounts of depreciation, amortization and depletion expense, including amortization of ROU assets and computer software, are distributed as follows:

	2020	2019	2018
Cost of:			
Sales (see Note 21)	<b>₱799,951</b>	₱851,193	₱856,623
Power generation (see Note 23)	<b>213,975</b>	211,076	179,392
Services (see Note 22)	<b>104,996</b>	107,460	99,651
Shipping and loading costs (see Note 25)	<b>156,616</b>	127,992	140,047
General and administrative (see Note 26)	<b>152,887</b>	98,065	69,871
Others	<b>16,835</b>	8,579	10,005
	<b>₱1,445,260</b>	₱1,404,365	₱1,355,589

The above is distributed as follows:

	2020	2019	2018
Property and equipment (see Note 9)	<b>₱1,431,522</b>	₱1,398,310	₱1,352,605
Computer software under “Other noncurrent assets” (see Note 13)	<b>13,738</b>	6,055	2,984
	<b>₱1,445,260</b>	₱1,404,365	₱1,355,589

## 29. Finance Income

	2020	2019	2018
Interest income from:			
Financial assets at (see Note 7):			
FVOCI	<b>₱100,541</b>	₱106,372	₱98,723
Amortized cost	<b>11,958</b>	18,787	30,582
FVTPL	<b>11,914</b>	5,003	4,361
Cash and cash equivalents (see Note 4)	<b>85,722</b>	239,018	188,136
Loans (see Note 40a)	<b>22,393</b>	25,862	24,490
MRF (see Note 13)	<b>4,136</b>	7,053	4,962
Long-term negotiable instruments (see Notes 8 and 13)	<b>1,390</b>	2,387	2,284
SDMP funds (see Note 13)	<b>211</b>	246	158
Pension (see Note 36)	<b>28</b>	870	150
Short-term cash investments	–	–	944
Others	–	–	13
	<b>₱238,293</b>	₱405,598	₱354,803



### 30. Finance Expenses

	2020	2019	2018
Interest expense on:			
Short-term debt (see Note 15)	<b>₱105,047</b>	₱117,722	₱29,242
Long-term debts (see Notes 15 and 34)	<b>31,509</b>	65,642	116,887
Pension (see Note 36)	<b>21,031</b>	24,922	19,447
Accretion of interest on:			
Lease liabilities (see Note 35)	<b>54,344</b>	55,342	–
Provision for mine rehabilitation and decommissioning (see Note 16)	<b>14,764</b>	14,738	13,746
Long-term payable (see Note 17)	<b>793</b>	977	1,155
Guarantee service fee (see Notes 34 and 40f)	<b>47,014</b>	64,312	65,148
	<b>₱274,502</b>	₱343,655	₱245,625

### 31. Other Income (Charges) - net

	2020	2019	2018
Foreign exchange gains (losses) - net	<b>(₱450,842)</b>	(₱263,694)	₱362,790
Special projects	<b>171,427</b>	80,137	73,491
Gain (loss) on:			
Sale or redemption of financial assets at (see Note 7):			
FVOCI	<b>47,157</b>	19,055	(49,456)
Amortized cost	–	200	2,353
Changes in fair value of financial assets at FVTPL (see Note 7)	<b>(41,800)</b>	347,725	(143,711)
Write-off of input VAT	<b>(8,649)</b>	(1,624)	(2,267)
Write-off of project development costs and other deposits (see Note 40h)	<b>(4,367)</b>	–	–
Sale of property and equipment	<b>(4,353)</b>	(14,020)	59,683
Write-off of deposit for aircraft acquisition (see Notes 13 and 40q)	–	(99,139)	–
Exchange of assets (see Note 40q)	–	39,986	–
Sale of investment in subsidiaries	–	881	–
Write-off of trade and other receivables	–	–	(7,363)
Write-off of investment property	–	–	(1,623)
Reversals of allowance (provisions) for impairment losses on:			
Beneficiated nickel ore inventory (see Note 6)	<b>23,999</b>	–	1,718
Materials and supplies (see Note 6)	<b>(21,250)</b>	(11,591)	(18,966)

(Forward)





	2020	2019	2018
Advances and deposits to suppliers and contractors (see Notes 8 and 13)	(P15,336)	P-	(P514,856)
Input VAT (see Note 13)	-	(725)	-
Deferred mine exploration costs	-	-	(15)
Dividend income (see Note 7)	33,500	45,539	38,849
Rent income	29,796	14,755	15,499
Management fee	(11,089)	(14,287)	(17,804)
Reversals of allowance (provisions) for ECL on trade and other receivables (see Note 5)	-	16,829	(9,924)
Others - net	(11,402)	8,797	(5,399)
	<b>(P263,209)</b>	<b>P168,824</b>	<b>(P217,001)</b>

Breakdown of foreign exchange gains (losses) - net follows:

	2020	2019	2018
Realized foreign exchange gains (losses) - net	(P304,854)	(P105,952)	P254,472
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	(185,786)	(212,905)	149,317
Long-term debt	61,061	55,612	(46,137)
Financial assets at (see Note 7):			
FVTPL	(10,909)	(18,912)	23,856
FVOCI	(7,543)	(26,843)	26,669
Trade and other receivables	(2,147)	1,019	1,136
Trade and other payables	(664)	44,287	(58,716)
Prepayments and other current assets	-	-	12,193
	<b>(P450,842)</b>	<b>(P263,694)</b>	<b>P362,790</b>

### 32. Revenue from Contracts with Customers

#### Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by location of the customers for sale of ore, limestone and quarry materials, type of services rendered for sale of services and others and source of electricity for sale of power for the years ended December 31, 2020 and 2019:

2020	China	Local	Japan	Total
<b>Sale of (see Note 34):</b>				
<b>Ore</b>	<b>P15,832,093</b>	<b>P3,369,983</b>	<b>P894,276</b>	<b>P20,096,352</b>
<b>Limestone</b>	-	<b>360,277</b>	-	<b>360,277</b>
<b>Quarry materials</b>	-	<b>397,340</b>	-	<b>397,340</b>
	<b>P15,832,093</b>	<b>P4,127,600</b>	<b>P894,276</b>	<b>P20,853,969</b>



2019	China	Local	Japan	Total
Sale of (see Note 34):				
Ore	₱10,845,464	₱3,541,206	₱1,868,881	₱16,255,551
Limestone	–	414,185	–	414,185
Quarry materials	–	179,579	–	179,579
	₱10,845,464	₱4,134,970	₱1,868,881	₱16,849,315

	2020	2019
<b>Services and others</b> (see Note 34)		
Materials handling and others	<b>₱629,454</b>	₱681,728
<b>Sale of power</b> (see Notes 40g and 40p)		
Solar	<b>₱124,144</b>	₱235,557
Diesel	<b>29,675</b>	44,745
	<b>₱153,819</b>	₱280,302

Timing of recognition:

	2020	2019
At a point in time	<b>₱20,853,969</b>	₱16,849,315
Over time	<b>783,273</b>	962,030
	<b>₱21,637,242</b>	₱17,811,345

All revenue from sale of ore, limestone and quarry materials are recognized at a point in time when control transfers to the customer, which occurs at a point in time when the ore is physically transferred into a vessel or when the ore passes into the ore preparation hopper of the HPAL plants and when the limestone and/or quarry materials were delivered to the buyer.

Revenue from sale of services and others is recognized over time or as the services are rendered while revenue from sale of power is recognized over time based on the actual energy dispatched.

### 33. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI:

	Principal Place of Business	2020	2019
RTN	Philippines	<b>40.00%</b>	40.00%
TMC	Philippines	<b>35.00%</b>	35.00%

Equity attributable to material NCI:

	2020	2019
RTN	<b>₱1,075,226</b>	₱1,037,983
TMC	<b>2,254,018</b>	2,527,039



Net income attributable to material NCI:

	2020	2019
RTN	<b>₱587,884</b>	₱272,716
TMC	<b>934,380</b>	901,169

Other comprehensive income (loss) attributable to material NCI:

	2020	2019
RTN	<b>(₱39,701)</b>	(₱15,196)
TMC	<b>(18,370)</b>	3,060

The summarized financial information of these subsidiaries are based on amounts before inter-company eliminations.

The summarized statements of comprehensive income for the years ended December 31, 2020 and 2019 follows:

	2020		2019	
	RTN	TMC	RTN	TMC
Revenues	<b>₱4,884,812</b>	<b>₱9,529,290</b>	₱3,492,717	₱8,688,314
Cost of sales and services	<b>(2,073,412)</b>	<b>(3,072,553)</b>	(1,986,260)	(3,239,748)
Operating expenses	<b>(785,638)</b>	<b>(2,404,992)</b>	(560,666)	(2,102,107)
Finance income (expense) - net	<b>3,584</b>	<b>(24,802)</b>	24,177	(4,360)
Other income (charges) - net	<b>67,059</b>	<b>(219,637)</b>	15,925	223,059
Income before income tax	<b>2,096,405</b>	<b>3,807,306</b>	985,893	3,565,158
Provision for income tax - net	<b>(626,694)</b>	<b>(1,137,649)</b>	(304,104)	(990,390)
Net income	<b>1,469,711</b>	<b>2,669,657</b>	681,789	2,574,768
Other comprehensive income (loss) - net	<b>(99,253)</b>	<b>(52,484)</b>	(37,989)	8,743
Total comprehensive income - net	<b>₱1,370,458</b>	<b>₱2,617,173</b>	₱643,800	₱2,583,511
Attributable to NCI	<b>₱548,183</b>	<b>₱916,010</b>	₱257,520	₱904,229
Dividends paid to NCI	<b>512,000</b>	<b>1,190,000</b>	280,000	875,000

The summarized statements of financial position as at December 31, 2020 and 2019 follows:

	RTN		TMC	
	2020	2019	2020	2019
Current assets	<b>₱3,499,955</b>	₱2,662,229	<b>₱5,522,099</b>	₱6,341,398
Noncurrent assets	<b>1,347,020</b>	1,029,039	<b>4,783,594</b>	4,777,573
Current liabilities	<b>(1,742,788)</b>	(773,615)	<b>(2,509,475)</b>	(2,628,951)
Noncurrent liabilities	<b>(416,122)</b>	(322,695)	<b>(1,356,167)</b>	(1,269,908)
Total equity	<b>₱2,688,065</b>	₱2,594,958	<b>₱6,440,051</b>	₱7,220,112
Attributable to equity holders of parent	<b>₱1,612,839</b>	₱1,556,975	<b>₱4,186,033</b>	₱4,693,073
NCI	<b>1,075,226</b>	1,037,983	<b>2,254,018</b>	2,527,039



The summarized cash flow information for the years ended December 31, 2020 and 2019 follows:

	RTN		TMC	
	2020	2019	2020	2019
Operating	<b>₱1,908,396</b>	₱953,728	<b>₱4,067,206</b>	₱3,435,428
Investing	<b>(485,818)</b>	(132,957)	<b>(566,624)</b>	(512,530)
Financing	<b>(751,383)</b>	(1,278,708)	<b>(3,926,154)</b>	(2,237,422)
Net increase (decrease) in cash and cash equivalents	<b>₱671,195</b>	(₱457,937)	<b>(₱425,572)</b>	₱685,476

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### 34. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Set out on next page are the Group's transactions with related parties in 2020, 2019 and 2018, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2020 and 2019.



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2020	2019	2018	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
<i>Stockholders</i>															
<b>PAMCO</b>															
Sale of ore	<b>₱894,276</b>	₱1,868,881	₱2,298,112	<b>₱151,507</b>	₱15,782	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	80% to 90% upon receipt of documents and 20% to 10% after the final dry weight and applicable assay have been determined; noninterest-bearing	Unsecured; no guarantee
Draft survey fee	<b>207</b>	262	267	-	-	-	51	-	-	-	-	-	-	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch (demurrage)	<b>337</b>	(12,768)	6,419	-	293	-	17,063	-	-	-	-	-	-	Collectible/payable on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	-	619	1,818	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends	<b>1,815,792</b>	1,180,622	1,343,505	-	-	<b>627,700</b>	574,400	-	-	-	-	-	-	Payable on agreed pay-out date	Unsecured; no guarantee
<b>Sumitomo Metal Mining Philippine Holdings Corporation</b>															
Short-term advances	-	1,250	1,250	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>SMM</b>															
Guarantee service fee (see Notes 30 and 40f)	<b>47,014</b>	64,312	65,148	-	-	<b>10,896</b>	19,362	-	-	-	-	-	-	Every twenty first (21st) of February, March, August and September	Unsecured
Interest expense on long-term debt (see Note 30)	-	-	137	-	-	-	-	-	-	-	-	-	-	Payable semi-annually on February 28 and August 31	Secured; with guarantee
<b>Nickel Asia Holdings Inc.</b>															
Short-term advances	-	-	1	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends	<b>504</b>	504	504	-	-	-	-	-	-	-	-	-	-	Payable on demand	Unsecured; no guarantee

(Forward)



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2020	2019	2018	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
<i>With Common Stockholders</i>															
<b>Manta</b>															
Rentals, dues and utilities	₱41,524	₱35,710	₱32,606	₱-	₱-	₱161	₱248	₱-	₱-	₱-	₱-	₱-	₱-	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	9,093	9,024	17,789	-	-	-	19	-	-	-	-	-	-	Collectible at the end of the lease; noninterest-bearing	Unsecured; no guarantee
Sale of power (see Note 40p)	-	19,091	27,841	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<i>Associates</i>															
<b>CBNC</b>															
Sale of ore and limestone	1,468,986	1,516,052	1,959,845	104,158	83,902	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	Unsecured; no guarantee
Materials handling	206,308	232,868	204,694	119,352	94,211	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	4,918	7,429	14,350	16,055	12,737	-	-	-	-	-	-	-	-	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	216,429	130,735	69,829	13,427	12,735	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
<b>THNC</b>															
Sale of ore	2,157,964	2,319,198	2,427,682	192,102	120,364	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	Unsecured; no guarantee
Sale of quarry materials	397,340	179,579	-	8,338	92,633	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	Unsecured; no guarantee
Rendering of service (see Note 40b)	131,120	148,031	159,060	29,898	34,938	-	-	-	-	-	-	-	-	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Materials handling	253,160	259,713	233,103	14,815	33,227	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Rental income (see Note 40m)	6,942	6,942	6,703	-	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit payable	-	119	-	-	-	3,471	3,471	-	-	-	-	-	-	Collectible at the end of the lease term; noninterest-bearing	Unsecured; no guarantee

(Forward)



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2020	2019	2018	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
<b>THNC</b>															
Loan facility	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱882,423	₱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; no guarantee
Interest expense on long-term debt (see Notes 15 and 30)	31,509	49,581	51,633	-	-	3,885	7,915	-	-	-	-	-	-	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Short-term advances	18,818	27,420	21,766	-	-	-	-	2,275	2,533	-	-	-	-	Collectible upon billing; noninterest-bearing; with allowance for ECL of ₱4.2 million as at December 31, 2020 and 2019	Unsecured; no guarantee
<i>Other Related Parties</i>															
<b>OGIPL</b>															
Short-term advances	(1,086)	43,633	58,482	-	-	-	-	-	-	2,197,840	1,135,911	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>Orka Geothermal Holdings, Inc. (OGHI)</b>															
Short-term advances	-	-	-	-	-	-	-	666	666	2,225,413	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>BGHI</b>															
Short-term advances	-	-	-	-	-	-	-	19	19	908,049	4,194,305	-	-	Collectible upon billing; Covered by Investment Agreement (see Note 40j); noninterest-bearing	Unsecured; no guarantee
<b>TBEA</b>															
Loan facility	-	-	-	-	-	-	-	-	-	-	-	95,026	-	Principal is payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025; interest-bearing at 5.00% p.a.	
Interest expense on long-term debt (see Notes 15 and 30)	1,839	-	-	-	-	1,839	-	-	-	-	-	-	-	Payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025	
				₱649,652	₱500,822	₱647,952	₱622,529	₱2,960	₱3,218	₱5,331,302	₱5,330,216	₱977,449	₱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 December 31, 2020 and 2019 pertain mainly to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on THNC's and EPI's Loan Obligations (see Notes 40f and 40r), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the financial reporting period through the examination of the financial position of the related party and the market in which the related party operates.

#### a. Sales and Service Agreements

##### Nickel Ore Sale Agreements with PAMCO

The Group supplies saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company, RTN and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per wet metric ton (WMT) of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2020 and 2019 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of "Trade and other receivables" and is expected to be collected subsequently.

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

RTN supplies saprolite ore to PAMCO, wherein PAMCO appointed Sojitz as agent, under a sale agreement, which shall be valid from January 1, 2016 and shall continue to be valid and in effect until December 2020. By the end of the third (3rd) year, RTN and PAMCO shall jointly assess whether the commercial production of ore at the mine is still possible. Unless the commercial production becomes impossible due to the exhaustion of ore reserves in the mine, RTN, PAMCO and Sojitz shall renew the agreement with five (5) years term, or from January 1, 2019 to December 31, 2023. PAMCO owns 36% and Sojitz owns 4% of the outstanding capital stock of RTN.

The Group's revenue from sale of ore to PAMCO and/or Sojitz amounted to ₱894.3 million, ₱1,868.9 million and ₱2,298.1 million in 2020, 2019 and 2018, respectively.

##### Nickel Ore Supply Agreement with CBNC

RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay HPP facility until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPP facility. Receivable from CBNC is included as part of "Trade and other receivables" and is expected to be collected subsequently.

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

Sale of ore to CBNC amounted to ₱1,212.0 million, ₱1,203.1 million and ₱1,664.0 million in 2020, 2019 and 2018, respectively.





#### Nickel Ore Supply Agreement with THNC

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

Sale of ore to THNC amounted to ₱2,158.0 million, ₱2,319.2 million and ₱2,427.7 million in 2020, 2019 and 2018, respectively.

#### Service Agreements with CBNC

RTN entered into various service agreements with CBNC pertaining to materials handling and others. The revenue of the Group related to materials handling for CBNC amounted to ₱206.3 million, ₱232.9 million and ₱204.7 million in 2020, 2019 and 2018, respectively.

#### Materials Handling Agreement with THNC

On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for THNC. THNC shall compensate TMC based on the prices stipulated in the agreement which are determined on the basis of the weight of the cargo. Payment is collected within fifteen (15) days from receipt of TMC's billing. The revenue of the Group related to materials handling for THNC amounted to ₱253.2 million, ₱259.7 million and ₱233.1 million in 2020, 2019 and 2018, respectively.

#### Materials Supply Agreement with THNC

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

TMC's revenue from the sale of quarry materials amounted to ₱397.3 million, ₱179.6 million and nil in 2020, 2019 and 2018, respectively.

### b. Stockholder Agreements

#### THNC Stockholder's Agreement

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

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

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



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

c. Other Agreements

Funding Commitment with THNC

TMC as owner/developer of TSEZ incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jettybollard and other pier facilities in the Taganito foreshore and offshore areas (see Note 15).

Assignment of Receivables

On September 18, 2014, OGHI and BGHI executed a deed, selling OGHI's receivables from BGI to BGHI amounting to ₱2,225.4 million.

On September 18, 2014 and March 27, 2019, OGIPL and BGHI executed the first and second deed, selling OGIPL's receivables from BGI to BGHI amounting to ₱833.2 million and ₱228.8 million, respectively.

On June 2, 2020, OGIPL, OGHI, and BGHI decided to rescind the aforementioned agreements. As a result, BGHI restored to OGIPL and OGHI all rights to the receivables from BGI.

d. Compensation of Key Management Personnel

The Group considers as key management personnel the employees holding managerial positions up to the chairman. The short-term benefits of key management personnel of the Group in 2020, 2019 and 2018 amounted to about ₱452.7 million, ₱460.7 million and ₱434.4 million, respectively, inclusive of cost of share-based payment of ₱71.1 million, ₱130.5 million and ₱102.4 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱22.9 million, ₱14.6 million and ₱17.3 million in 2020, 2019 and 2018, respectively.

The Group's related party transactions which are 10% and above of the consolidated total assets are reviewed and approved by the Related Party Transactions Committee.

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### 35. Leases

*Lease Agreement with Manta Equities Inc. (Manta)*

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. The lease agreement expired in May 2018 and was renewed for another period of five (5) years. In 2019 and 2020, additional parking spaces were leased from Manta which were covered by separate lease agreements.

*Lease of Project Area from SBMA*

On April 29, 2015, JSI entered into a fifty (50) year lease agreement with SBMA for the use of the 800 hectares project area located at Mt. Sta. Rita, SBFZ for its solar and wind energy projects on a monthly lease payment amounting to ₱34,000 per MW installed on the leased area.



On September 18, 2015, the Lease Agreement was amended, and the following conditions were added:

- change JSI's submission to SBMA of the result of the survey on the leased areas from within "one (1) month" to "four (4) months" from the signing of the Lease Agreement;
- delete all references to "Business Permit to Operate" and replacing it with "Certificate of Registration/Certificate of Registration and Tax Exemption";
- modify JSI's investment commitment; and
- clarify Item b, Section 6 (Special Conditions), Article IV.

On June 9, 2016, a second amendment was made to include JSI's advance payment as compensation for forty (40) farmer members of the Mabiga Community Farmers Association, Inc. (MCFAI) for the trees planted within the land affected by JSI's renewable energy projects.

On Feb. 5, 2018, a third amendment was executed to include JSI's advance payment to eleven (11) more MCFAI farmers for the trees planted within the land affected by JSI's renewable energy projects.

On June 7, 2019, a fourth amendment to the Lease Agreement was entered to document the following updated terms:

- Amended rent - From execution of the fourth amendment, the monthly rent shall be ₱1.1 million, and from December 31, 2030, the monthly rent shall be ₱5.1 million. JSI also committed, upon execution of the fourth amendment, to remit as advance rental payment an amount of ₱40.0 million, to be applied against future rental obligations starting December 31, 2030.
- Investment commitment - JSI undertakes to infuse investment worth US\$200.0 million on the leased areas on or before December 30, 2030.
- Pamulaklakin road upgrade - JSI undertakes to construct and/or upgrade the Pamulaklakin road, from the Pamulaklakin junction up to JSI's alpha station.
- Utility posts - JSI shall install utility posts for transmission lines from the leased areas to the NGCP service substation in coordination with the Subic Enerzone Corporation.
- Power generation facility - JSI shall construct a 150MW capacity generation facility and/or power plant that uses renewable energy source until December 31, 2030.
- Performance bond - JSI shall deliver a noninterest-bearing performance bond amounting to ₱10.0 million. The performance bond is included under "Other noncurrent assets".
- Term - the term of the Lease Agreement shall be for a period of fifty (50) years from August 9, 2015 and continuing until August 8, 2065.
- Renewal - subject to the extension or renewal by the SEC of JSI's corporate life as well as the consent of the Indigenous Cultural Communities of Aeta through its Free and Prior Informed Consent, the Lease Agreement may be renewed for another twenty five (25) years under the same terms and conditions upon mutual consent of the parties.
- Pre-Termination - grounds for pre-termination by SBMA shall include but not be limited to: a) failure to pay rent; b) failure to infuse the committed amount of investment; c) willful failure to comply with SBMA environmental standards; and/or d) smuggling. JSI will be given a ninety (90)-day period to cure such contractual breach.
- Land use/zoning - in case of pre-termination due to re-zoning or change in the land use/master plan, SBMA shall reimburse JSI of the cost of equipment, improvements and developments that cannot be moved.



*Lease of NGCP Facility*

On September 18, 2015, JSI entered into a fifty (50) year lease agreement with SBMA for the use of a 280 sq. m. building and 2,300 sq. m. lot located near the NGCP Facility, Subic Gateway Park, SBFZ on a monthly rental of ₱0.04 million and ₱0.3 million, respectively.

The lease agreement is also subject to the following terms and condition:

- in addition to the monthly rental, JSI shall pay 5% of the appraised value of the leased property as share of the Aeta Community for areas covered by Certificate of Ancestral Domain Title;
- JSI is given a grace period of two (2) years (free of rent) between the period September 12, 2015 to September 11, 2017; and
- the lease agreement is subject to a 6% annual escalation beginning on the second year of the lease and imposable annually thereafter.

The Group also has certain leases of properties with lease terms of twelve (12) months or less and leases of properties with low value. The Group applies the “short-term lease” and “lease of low-value assets” recognition exemptions for these leases.

The lease liabilities, discounted using incremental borrowing rate are as follows:

	2020	2019
Lease liabilities	<b>₱615,904</b>	₱606,678
Less noncurrent portion	<b>584,922</b>	581,537
Current portion	<b>₱30,982</b>	₱25,141

The following are the amounts recognized in the consolidated statements of income:

	2020	2019
Expenses relating to short-term leases	<b>₱600,544</b>	₱474,555
Accretion of interest on lease liabilities (see Note 30)	<b>54,344</b>	55,342
Amortization of ROU asset included in property and equipment (see Note 9)	<b>42,116</b>	39,081
Expenses relating to leases of low-value assets	<b>754</b>	2,209
	<b>₱697,758</b>	₱571,187

In 2020 and 2019, expenses under shipping and loading costs amounting to ₱578.5 million and ₱464.7 million, respectively, which are covered by service agreements are included above in compliance with PFRS 16.

The rollforward analysis of lease liabilities follows:

	2020	2019
Balances as at January 1	<b>₱606,678</b>	₱639,885
Additions	<b>10,031</b>	1,724
Accretion of interest (see Note 30)	<b>54,344</b>	55,342
Payments	<b>(55,149)</b>	(90,273)
Balances as at December 31	<b>₱615,904</b>	₱606,678



Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
One (1) year	<b>₱56,594</b>	₱52,246
more than one (1) year to two (2) years	<b>58,978</b>	54,329
more than two (2) years to three (3) years	<b>29,006</b>	56,595
more than three (3) years to four (4) years	<b>23,281</b>	26,574
more than four (4) years	<b>3,594,238</b>	3,616,090
	<b>₱3,762,097</b>	<b>₱3,805,834</b>

### 36. Pension Liability

The existing regulatory framework, RA 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the pension liability and pension asset recognized in the consolidated statements of financial position:

	2020	2019
<i>Funded pension liabilities:</i>		
RTN	<b>₱290,025</b>	₱150,835
TMC	<b>262,086</b>	158,949
CMC	<b>75,886</b>	64,880
NAC	<b>44,207</b>	18,516
HMC	<b>3,883</b>	-
	<b>₱676,087</b>	<b>₱393,180</b>
<i>Funded pension asset:</i>		
HMC (see Note 13)	<b>₱-</b>	<b>₱5,361</b>



The following tables summarize the components of net pension costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans:

Changes in net defined benefit liability and fair value of pension assets in 2020, 2019 and 2018 are as follows:

	2020												
	Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income								
	January 1, 2020	Current service cost (see Note 27)	Net interest (see Notes 29 and 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal	Contributions	December 31, 2020
RTN	₱501,961	₱49,116	₱27,155	₱76,271	(₱56,479)	₱-	₱-	₱36,188	₱92,071	₱-	₱128,259	₱-	₱650,012
TMC	376,524	39,426	20,182	59,608	(27,938)	-	-	(727)	76,820	-	76,093	-	484,287
HMC	55,855	6,903	3,084	9,987	(17,779)	-	-	806	9,911	(56)	10,661	-	58,724
CMC	76,129	7,271	4,240	11,511	(4,141)	-	462	(1,476)	15,809	-	14,795	-	98,294
NAC	60,879	8,943	3,373	12,316	(14,448)	-	2,058	16,605	13,058	-	31,721	-	90,468
<b>Defined benefit liability</b>	<b>1,071,348</b>	<b>111,659</b>	<b>58,034</b>	<b>169,693</b>	<b>(120,785)</b>	<b>-</b>	<b>2,520</b>	<b>51,396</b>	<b>207,669</b>	<b>-</b>	<b>261,529</b>	<b>-</b>	<b>1,381,785</b>
RTN	(351,126)	-	(19,085)	(19,085)	56,479	13,530	-	-	-	-	13,530	(59,785)	(359,987)
TMC	(217,575)	-	(11,449)	(11,449)	27,938	(1,115)	-	-	-	-	(1,115)	(20,000)	(222,201)
HMC	(61,216)	-	(3,112)	(3,112)	17,779	106	-	-	-	(311)	(205)	(8,087)	(54,841)
CMC	(11,249)	-	(937)	(937)	4,141	928	-	-	-	-	928	(15,291)	(22,408)
NAC	(42,363)	-	(2,448)	(2,448)	14,448	2,194	-	-	-	-	2,194	(18,092)	(46,261)
<b>Fair value of plan assets</b>	<b>(683,529)</b>	<b>-</b>	<b>(37,031)</b>	<b>(37,031)</b>	<b>120,785</b>	<b>15,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,332</b>	<b>(121,255)</b>	<b>(705,698)</b>
RTN	150,835	49,116	8,070	57,186	-	13,530	-	36,188	92,071	-	141,789	(59,785)	290,025
TMC	158,949	39,426	8,733	48,159	-	(1,115)	-	(727)	76,820	-	74,978	(20,000)	262,086
HMC	(5,361)	6,903	(28)	6,875	-	106	-	806	9,911	(367)	10,456	(8,087)	3,883
CMC	64,880	7,271	3,303	10,574	-	928	462	(1,476)	15,809	-	15,723	(15,291)	75,886
NAC	18,516	8,943	925	9,868	-	2,194	2,058	16,605	13,058	-	33,915	(18,092)	44,207
<b>Pension liability</b>	<b>₱393,180</b>	<b>₱104,756</b>	<b>₱21,031</b>	<b>₱125,787</b>	<b>₱-</b>	<b>₱15,537</b>	<b>₱2,520</b>	<b>₱50,590</b>	<b>₱197,758</b>	<b>₱-</b>	<b>₱266,405</b>	<b>(₱113,168)</b>	<b>₱676,087</b>
<b>Pension asset</b>	<b>(₱5,361)</b>	<b>₱6,903</b>	<b>(₱28)</b>	<b>₱6,875</b>	<b>₱-</b>	<b>₱106</b>	<b>₱-</b>	<b>₱806</b>	<b>₱9,911</b>	<b>(₱367)</b>	<b>₱10,456</b>	<b>(₱8,087)</b>	<b>₱-</b>



2019

	Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							December 31, 2019	
	January 1, 2019	Current service cost (see Note 27)	Net interest (see Notes 29 and 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal		Contributions
RTN	P415,373	P31,845	P31,734	P63,579	(P58,227)	P-	P-	P26,854	P54,382	P-	P81,236	P-	P501,961
TMC	341,831	36,313	25,979	62,292	(23,288)	-	-	(17,089)	12,778	-	(4,311)	-	376,524
HMC	39,563	5,303	3,046	8,349	(4,779)	-	196	257	12,269	-	12,722	-	55,855
CMC	56,522	5,347	4,352	9,699	(5,400)	-	(695)	2,298	13,705	-	15,308	-	76,129
NAC	58,291	6,669	4,489	11,158	(16,754)	-	(983)	1,092	8,075	-	8,184	-	60,879
Defined benefit liability	911,580	85,477	69,600	155,077	(108,448)	-	(1,482)	13,412	101,209	-	113,139	-	1,071,348
RTN	(312,652)	-	(23,431)	(23,431)	58,227	(26,966)	-	-	-	-	(26,966)	(46,304)	(351,126)
TMC	(183,308)	-	(14,377)	(14,377)	23,288	(8,178)	-	-	-	-	(8,178)	(35,000)	(217,575)
HMC	(46,762)	-	(3,916)	(3,916)	3,979	(1,846)	-	-	-	(504)	(2,350)	(12,167)	(61,216)
CMC	(8,997)	-	(758)	(758)	4,815	207	-	-	-	-	207	(6,516)	(11,249)
NAC	(39,155)	-	(3,066)	(3,066)	16,754	1,196	-	-	-	-	1,196	(18,092)	(42,363)
Fair value of plan assets	(590,874)	-	(45,548)	(45,548)	107,063	(35,587)	-	-	-	-	(36,091)	(118,079)	(684,272)
RTN	102,721	31,845	8,303	40,148	-	(26,966)	-	26,854	54,382	-	54,270	(46,304)	150,835
TMC	158,523	36,313	11,602	47,915	-	(8,178)	-	(17,089)	12,778	-	(12,489)	(35,000)	158,949
HMC	(7,199)	5,303	(870)	4,433	(800)	(1,846)	196	257	12,269	(504)	10,372	(12,167)	(5,361)
CMC	47,525	5,347	3,594	8,941	(585)	207	(695)	2,298	13,705	-	15,515	(6,516)	64,880
NAC	19,136	6,669	1,423	8,092	-	1,196	(983)	1,092	8,075	-	9,380	(18,092)	18,516
Pension liability	P327,905	P80,174	P24,922	P105,096	(P585)	(P33,741)	(P1,678)	P13,155	P88,940	P-	P66,676	(P105,912)	P393,180
Pension asset	(P7,199)	P5,303	(P870)	P4,433	(P800)	(P1,846)	P196	P257	P12,269	(P504)	P10,372	(P12,167)	(P5,361)



2018

	Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							December 31, 2018	
	January 1, 2018	Current service cost (see Note 27)	Net interest (see Notes 29 and 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal		Contributions
RTN	₱473,362	₱36,796	₱27,313	₱64,109	(₱99,758)	₱-	₱-	₱31,392	(₱53,732)	₱-	(₱22,340)	₱-	₱415,373
TMC	344,213	37,611	19,964	57,575	(16,269)	-	-	39,664	(83,352)	-	(43,688)	-	341,831
HMC	42,202	4,835	2,444	7,279	(2,156)	-	-	2,736	(10,498)	-	(7,762)	-	39,563
CMC	57,748	5,290	3,344	8,634	(5,635)	-	501	4,170	(8,896)	-	(4,225)	-	56,522
NAC	60,313	8,308	3,486	11,794	-	-	(219)	(3,218)	(10,379)	-	(13,816)	-	58,291
Defined benefit liability	977,838	92,840	56,551	149,391	(123,818)	-	282	74,744	(166,857)	-	(91,831)	-	911,580
RTN	(416,561)	-	(21,970)	(21,970)	99,758	54,277	-	-	-	-	54,277	(28,156)	(312,652)
TMC	(171,509)	-	(10,491)	(10,491)	16,269	17,423	-	-	-	-	17,423	(35,000)	(183,308)
HMC	(40,840)	-	(2,594)	(2,594)	2,156	3,855	-	-	-	743	4,598	(10,082)	(46,762)
CMC	(7,330)	-	(473)	(473)	5,635	501	-	-	-	-	501	(7,330)	(8,997)
NAC	(20,817)	-	(1,726)	(1,726)	-	1,479	-	-	-	-	1,479	(18,091)	(39,155)
Fair value of plan assets	(657,057)	-	(37,254)	(37,254)	123,818	77,535	-	-	-	-	77,535	(98,659)	(591,617)
RTN	56,801	36,796	5,343	42,139	-	54,277	-	31,392	(53,732)	-	31,937	(28,156)	102,721
TMC	172,704	37,611	9,473	47,084	-	17,423	-	39,664	(83,352)	-	(26,265)	(35,000)	158,523
HMC	1,362	4,835	(150)	4,685	-	3,855	-	2,736	(10,498)	743	(3,164)	(10,082)	(7,199)
CMC	50,418	5,290	2,871	8,161	-	501	501	4,170	(8,896)	-	(3,724)	(7,330)	47,525
NAC	39,496	8,308	1,760	10,068	-	1,479	(219)	(3,218)	(10,379)	-	(12,337)	(18,091)	19,136
Pension liability	₱319,419	₱88,005	₱19,447	₱107,452	₱-	₱73,680	₱282	₱72,008	(₱156,359)	₱-	(₱10,389)	(₱88,577)	₱327,905
Pension liability (asset)	₱1,362	₱4,835	(₱150)	₱4,685	₱-	₱3,855	₱-	₱2,736	(₱10,498)	₱743	(₱3,164)	(₱10,082)	(₱7,199)





The main categories of plan assets as a percentage of the fair value of total plan assets follow:

<b>2020</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Fixed income securities	66.14%	52.10%	68.15%	83.12%	68.39%
Investments in shares of stock	32.04%	20.87%	24.58%	5.89%	17.58%
Others	1.82%	27.03%	7.27%	10.99%	14.03%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

2019	NAC	RTN	TMC	HMC	CMC
Fixed income securities	40.13%	43.77%	77.50%	73.78%	77.87%
Investments in shares of stock	37.54%	–	18.18%	22.30%	20.28%
Others	22.33%	56.23%	4.32%	3.92%	1.85%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

2018	NAC	RTN	TMC	HMC	CMC
Fixed income securities	51.08%	59.71%	94.16%	91.93%	48.01%
Investments in shares of stock	–	–	5.59%	8.07%	–
Others	48.92%	40.29%	0.25%	–	51.99%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining the pension asset (liability) for the Group's plans are shown below:

<b>2020</b>	<b>NAC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
Discount rate	3.78%	3.96%	4.03%	4.00%	3.94%
Expected salary increase rate	5.00%	4.00%	8.00%	5.00%	5.00%

2019	NAC	RTN	TMC	HMC	CMC
Discount rate	5.54%	5.41%	5.36%	5.52%	5.57%
Expected salary increase rate	5.00%	4.00%	8.00%	5.00%	5.00%

2018	NAC	RTN	TMC	HMC	CMC
Discount rate	7.70%	7.64%	7.60%	7.70%	7.70%
Expected salary increase rate	5.00%	5.00%	10.00%	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the net defined pension liability as at the end of the financial reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2020	2019
Discount rates	+100 basis points	(P150,387)	(P105,387)
	-100 basis points	181,208	125,709



	Increase (decrease)	2020	2019
Salary increase rate	+100 basis points	<b>₱176,090</b>	₱123,989
	-100 basis points	<b>(149,424)</b>	(106,015)

As at March 11, 2021, the Group has not yet reasonably determined the amount of 2021 contributions to the retirement fund.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2020	2019
Within the next twelve (12) months	<b>₱90,979</b>	₱101,586
Between two (2) and five (5) years	<b>371,455</b>	334,818
Between six (6) and ten (10) years	<b>587,357</b>	523,006
Total expected payments	<b>₱1,049,791</b>	₱959,410

The weighted average duration of the pension liability as at December 31, 2020 and 2019 is 11.7 years and 10.3 years, respectively.

### 37. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of TMC, RTN, CMC, NAC and HMC, Gross Income Tax (GIT) of TMC and RTN and Minimum Corporate Income Tax (MCIT) of DMC and EPI in 2020; RCIT of TMC, RTN, CMC, NAC and HMC, GIT of TMC and RTN and MCIT of EPI and CExCI in 2019, RCIT of TMC, RTN, CMC, NAC and HMC, GIT of TMC and RTN and MCIT of EPI, MEI, BGI and CExCI in 2018, as follows:

	2020	2019	2018
TMC	<b>₱1,162,680</b>	₱996,722	₱1,062,374
RTN	<b>646,484</b>	323,599	573,853
CMC	<b>476,842</b>	237,707	278,203
NAC	<b>171,978</b>	130,995	153,190
HMC	<b>106,740</b>	101,544	106,190
EPI	<b>8</b>	14	28
MEI	-	-	94
BGI	-	-	1
CExCI	-	-	1
	<b>₱2,564,732</b>	₱1,790,581	₱2,173,934

All other companies under the Group were in a gross and/or net taxable loss positions in 2020, 2019 and 2018.



The reconciliation between the provision for (benefit from) income tax computed at the statutory income tax rate and the provision for (benefit from) income tax computed at the effective income tax rate as shown in the consolidated statements of income follows:

	2020	2019	2018
Income tax at statutory rate from non-registered activities	<b>₱3,661,529</b>	₱2,535,496	₱2,509,112
Add (deduct) tax effects of:			
Dividend income exempt from income tax	<b>(1,334,686)</b>	(880,173)	(649,765)
Expired net operating loss carry over (NOLCO) and excess of MCIT over RCIT	<b>100,457</b>	149,862	54,540
Nondeductible expenses	<b>57,544</b>	64,139	50,722
Interest income subjected to final tax	<b>(56,571)</b>	(100,304)	(87,098)
Movements in deductible temporary differences for which deferred income taxes were recognized	<b>(36,702)</b>	(3,256)	(69,369)
Change in unrecognized deferred income tax assets	<b>(31,686)</b>	(106,168)	224,006
Effect of change in tax rate	<b>(21,465)</b>	28,839	(4,054)
Nontaxable income	<b>(12,678)</b>	-	-
Loss (income) subject to other taxes	<b>(7,479)</b>	(78,528)	36,218
Derecognized deferred income tax assets	-	46,688	41,969
Others	<b>19</b>	147	(1)
	<b>2,318,282</b>	1,656,742	2,106,280
Income tax at statutory rate from Philippine Economic Zone Authority (PEZA) registered activities	<b>(4,332)</b>	(3,190)	(1,351)
Add (deduct) tax effects of:			
Nondeductible expenses	<b>7,679</b>	7,513	3,644
Nontaxable income	<b>(2,731)</b>	(2,745)	-
Interest income subjected to final tax	<b>(48)</b>	(149)	(98)
Effect of change in tax rate	-	(2,665)	-
	<b>568</b>	(1,236)	2,195
<b>Income tax at effective rates</b>	<b>₱2,318,850</b>	₱1,655,506	₱2,108,475



The components of the Group's net deferred income tax assets and liabilities follow:

	2020	2019
<i>Deferred income tax assets:</i>		
<i>At 30%</i>		
Pension costs	<b>₱202,764</b>	₱116,319
Provision for mine rehabilitation and decommissioning	<b>199,314</b>	148,119
Undepleted asset retirement obligation	<b>(130,356)</b>	-
Cost of share-based payment plan	<b>90,341</b>	69,021
NOLCO	<b>83,353</b>	44,845
Unrealized foreign exchange losses - net	<b>59,877</b>	23,065
Allowance for impairment losses on:		
Inventories	<b>33,514</b>	34,339
Advances to suppliers and contractors	<b>4,601</b>	-
Others	<b>11,438</b>	1,097
Long-term stockpile inventory	<b>48,161</b>	14,715
Unrealized valuation gains on financial assets at:		
FVTPL	<b>(47,668)</b>	-
FVOCI	<b>243</b>	-
Unamortized past service cost	<b>28,002</b>	20,467
Actual lease payment	<b>(18,344)</b>	-
Amortization of ROU asset	<b>16,775</b>	7,656
Accrual for quarry materials	<b>9,522</b>	1,876
Allowance for ECL on trade and other receivables	<b>8,473</b>	8,603
Accretion of interest on lease liabilities	<b>4,353</b>	2,444
Excess of MCIT over RCIT	<b>-</b>	34
<i>At 5%</i>		
Accretion of interest on lease liabilities	<b>4,732</b>	2,360
Actual lease payment	<b>(4,069)</b>	-
Deferred income	<b>2,528</b>	2,738
Capitalized borrowing cost	<b>(1,466)</b>	-
Amortization of ROU asset	<b>1,166</b>	562
Pension costs	<b>10</b>	4
	<b>₱607,264</b>	₱498,264
<i>Deferred income tax liabilities:</i>		
<i>At 30%</i>		
Fair value adjustment arising from business combination	<b>₱251,590</b>	₱251,590
Asset revaluation surplus	<b>144,791</b>	147,944
Capitalized borrowing cost	<b>8,921</b>	6,822
Unamortized debt issue costs	<b>2,204</b>	2,279
Actual lease payment	<b>870</b>	8,871
Amortization of ROU asset	<b>(589)</b>	-
Accretion of interest on lease liabilities	<b>(160)</b>	-
Unrealized valuation gains on financial assets at:		
FVTPL	<b>-</b>	116,561
FVOCI	<b>-</b>	1,740
Undepleted asset retirement obligation	<b>-</b>	88,083
<i>At 10%</i>		
Share in cumulative translation adjustment (see Note 10)	<b>93,572</b>	119,199
<i>At 5%</i>		
Actual lease payment	<b>-</b>	3,035
Capitalized borrowing cost	<b>-</b>	2,625
Unrealized foreign exchange gains - net	<b>-</b>	17
	<b>₱501,199</b>	₱748,766



The Group did not recognize net deferred income tax asset on the following temporary differences since the management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the net deferred income tax assets can be utilized in the future.

	2020	2019
NOLCO	<b>₱761,791</b>	₱877,182
Allowance for impairment losses	<b>658,300</b>	658,450
Unrealized foreign exchange losses - net	<b>225,884</b>	216,354
Allowance for ECL	<b>15,497</b>	15,497
Accretion of interest on long-term payable	<b>5,510</b>	4,717
Excess of MCIT over RCIT	<b>51</b>	311
Amortization of ROU asset	-	2,327
Others	<b>2,641</b>	-
	<b>₱1,669,674</b>	₱1,774,838

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

As at December 31, 2020 and 2019, the Group, except for FEI, has NOLCO and excess of MCIT over RCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Year of Expiration	NOLCO		Excess of MCIT over RCIT	
		2020	2019	2020	2019
2020	2025	<b>₱346,821</b>	₱-		
2020	2023	-	-	<b>₱7</b>	₱-
2019	2022	<b>367,108</b>	367,108	<b>15</b>	15
2018	2021	<b>325,565</b>	325,565	<b>29</b>	29
2017	2020	-	333,661	-	301
		<b>₱1,039,494</b>	₱1,026,334	<b>₱51</b>	₱345

As at December 31, 2020 and 2019, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	2020	2019
2017	2022	<b>₱6</b>	₱6
2016	2021	<b>134</b>	134
2015	2020	-	191
		<b>₱140</b>	₱331

The movements in NOLCO are as follows:

	2020	2019
Balances at January 1	<b>₱1,026,665</b>	₱1,299,135
Additions	<b>346,821</b>	367,108
Expirations	<b>(333,852)</b>	(499,077)
Derecognition	-	(140,501)
Balances at December 31	<b>₱1,039,634</b>	₱1,026,665



The movements in excess of MCIT over RCIT are as follows:

	2020	2019
Balances at January 1	₱345	₱650
Additions	7	15
Expirations	(301)	(139)
Derecognition	–	(181)
Balances at December 31	₱51	₱345

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### 38. Financial Risk Management Objectives and Policies and Capital Management

The Group's main financial instruments are cash and cash equivalents, financial assets at FVTPL, at FVOCI and at amortized cost, and short-term and long-term debts. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as trade and other receivables, loan receivable, long-term negotiable instruments, trade and other payables, lease liabilities and long-term payable which arise directly from its operations, investing and financing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk primarily from its operating (primarily for trade receivables) and investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

In managing credit risk on investments, capital preservation is paramount. The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Except for the impaired trade and other receivables, the Group assessed the receivables as collectible and in good standing.

For investments in debt instruments, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. The investment portfolio is reviewed regularly by the Chief Finance Officer and the Audit and Risk Committee.

#### *Credit Risk Exposure*

With respect to credit risk arising from cash and cash equivalents, trade and other receivables, financial assets at FVOCI and at amortized cost, loan receivable and long-term negotiable instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



*Cash and Cash Equivalents (except Cash on Hand), Financial Assets at FVOCI and at Amortized Cost and Long-term Negotiable Instruments*

In determining the credit risk exposure, the Group has established PD rates based on available credit ratings published by Credit Rating Agencies. The credit ratings already consider forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics.

*Trade and Other Receivables and Loan Receivable*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a twelve (12)-month expected loss allowance for all trade and other receivables and loan receivable. The ECL on trade and other receivables and loan receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate of the countries in which it sells its goods and services to be the most relevant factors for its trade receivables, and accordingly adjusts the historical loss rates based on expected changes in these factors.

While the above are subject to the impairment requirements of PFRS 9, the identified impairment loss is not significant compared to the gross carrying value of trade and other receivables and loan receivable.

*Credit Quality and Aging Analysis of Financial Assets*

The financial assets are grouped according to stage whose description is explained as follows:

*Stage 1* - those that are considered current and up to thirty (30) days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

*Stage 2* - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than thirty (30) days past due but does not demonstrate objective evidence of impairment as of financial reporting date.

*Stage 3* - those that are considered in default or demonstrate objective evidence of impairment as of financial reporting date.

The Group's cash and cash equivalents, financial assets at FVOCI and at amortized cost, loan receivable and long-term negotiable instruments are classified as Stage 1 and there were no changes in the classification as of the end of the financial reporting period.



The credit quality and aging analysis of the Group's financial assets as at December 31, 2020 and 2019 are summarized in the following tables:

2020	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired	Past Due and Individually Impaired	Total
<b>Cash and cash equivalents</b>	<b>₱11,828,937</b>	<b>₱-</b>	<b>₱-</b>	<b>₱11,828,937</b>
Cash with banks	2,027,820	-	-	2,027,820
Cash under managed funds	1,634,697	-	-	1,634,697
Short-term cash investments	8,166,420	-	-	8,166,420
<b>Trade and other receivables</b>	<b>1,217,071</b>	<b>191,400</b>	<b>33,477</b>	<b>1,441,948</b>
Trade	822,395	169,426	19,911	1,011,732
Current portion of loan receivable	255,411	-	-	255,411
Interest receivable	24,150	-	-	24,150
Amounts owed by related parties	2,960	-	4,228	7,188
Others	112,155	21,974	9,338	143,467
<b>Financial assets at:</b>	<b>2,758,760</b>	<b>-</b>	<b>-</b>	<b>2,758,760</b>
FVOCI	2,548,760	-	-	2,548,760
Amortized cost	210,000	-	-	210,000
<b>Other noncurrent assets</b>	<b>345,525</b>	<b>-</b>	<b>-</b>	<b>345,525</b>
Loan receivable - net of current portion	305,525	-	-	305,525
Long-term negotiable instruments	40,000	-	-	40,000
	<b>₱16,150,293</b>	<b>₱191,400</b>	<b>₱33,477</b>	<b>₱16,375,170</b>

2019	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired	Past Due and Individually Impaired	Total
<b>Cash and cash equivalents</b>	<b>₱11,934,912</b>	<b>₱-</b>	<b>₱-</b>	<b>₱11,934,912</b>
Cash with banks	723,306	-	-	723,306
Cash under managed funds	114,804	-	-	114,804
Short-term cash investments	11,096,802	-	-	11,096,802
<b>Trade and other receivables</b>	<b>1,033,265</b>	<b>-</b>	<b>33,911</b>	<b>1,067,176</b>
Trade	642,527	-	20,345	662,872
Current portion of loan receivable	248,910	-	-	248,910
Interest receivable	54,533	-	-	54,533
Amounts owed by related parties	3,218	-	4,228	7,446
Others	84,077	-	9,338	93,415
<b>Financial assets at:</b>	<b>3,184,385</b>	<b>-</b>	<b>-</b>	<b>3,184,385</b>
FVOCI	2,730,168	-	-	2,730,168
Amortized cost	454,217	-	-	454,217
<b>Other noncurrent assets</b>	<b>614,880</b>	<b>-</b>	<b>-</b>	<b>614,880</b>
Loan receivable - net of current portion	574,880	-	-	574,880
Long-term negotiable instruments	40,000	-	-	40,000
	<b>₱16,767,442</b>	<b>₱-</b>	<b>₱33,911</b>	<b>₱16,801,353</b>

As at December 31, 2020 and 2019, trade receivables amounting to ₱991.8 million and ₱642.5 million, respectively, remain current while ₱19.9 million and ₱20.3 million, respectively, are over thirty (30) days past due and are considered impaired.





### *Credit Quality of Financial Assets*

The credit quality of financial assets is managed by the Group using internal credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash and cash equivalents are placed in various foreign and local banks. Material amounts are held by local banks that have good reputation and with low probability of insolvency. The rest are held by various foreign banks having a S&P credit rating of at least A. Management assesses the quality of these assets as high grade.
- Trade receivables and loan receivable pertain to receivables from customers or related parties which have good financial capacity and with which the Group has already established a long outstanding and good business relationship. Management assesses the quality of these assets as high grade. Trade and other receivables which are not foreseen to be collected are classified as substandard grade.
- Interest receivables derived from short-term cash investments placed in various foreign banks with S&P credit rating of at least A and with local banks with low probability of insolvency, are assessed as high grade. Interest receivable from debt securities and long-term negotiable instruments are also assessed as high grade since these are invested in companies with good reputation and sound financial condition. Interest receivable from loans are also assessed as high grade since these are collectible from third parties which are capable of repaying the amount due.
- Amounts owed by related parties are advances that are due and demandable. The related parties are operating firms and/or capable of repaying the amount due. Management assesses the quality of these assets as high grade.
- Management assesses the quality of other receivables as standard grade since amounts are settled after due date.
- Financial assets at FVOCI and at amortized cost are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.
- Long-term negotiable instruments are investments placed in local banks with good financial capacity and with low probability of insolvency. Management assessed the quality of these assets as high grade.

### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance its exploration, mining and power generation activities through internally generated funds, advances from related parties and borrowings from banks. Aside from yielding good returns, the Group ensures that investments have ample liquidity to finance operations and capital requirements. The Group considers its available funds and



its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

<b>2020</b>	<b>On Demand</b>	<b>Less Than Three (3) Months</b>	<b>Three (3) To Twelve (12) Months</b>	<b>More Than One (1) Year</b>	<b>Total</b>
<b>Trade and other payables</b>					
Trade	₱406,505	₱485,990	₱20,135	₱–	₱912,630
Amounts owed to related parties	5,331,302	–	–	–	5,331,302
Dividends payable	–	627,700	–	–	627,700
Accrued expenses	401,924	127,182	288	–	529,394
Contract liability	22,331	–	–	–	22,331
Interest payable	–	–	9,950	–	9,950
Retention fees payable	478	124	347	–	949
Others	84,391	1,802	–	–	86,193
<b>Short-term debts</b>					
Carrying amount	–	–	1,492,654	–	1,492,654
Unamortized debt issue cost	–	–	7,346	–	7,346
<b>Long-term debts</b>					
Carrying amount	–	–	84,040	893,409	977,449
Unamortized discount	–	–	–	668	668
<b>Long-term payable</b>					
Carrying amount	–	–	7,000	6,093	13,093
Unamortized discount	–	–	–	907	907
<b>Lease liabilities</b>					
Undiscounted liabilities	–	13,801	42,793	3,705,503	3,762,097
	<b>₱6,246,931</b>	<b>₱1,256,599</b>	<b>₱1,664,553</b>	<b>₱4,606,580</b>	<b>₱13,774,663</b>

<b>2019</b>	<b>On Demand</b>	<b>Less Than Three (3) Months</b>	<b>Three (3) To Twelve (12) Months</b>	<b>More Than One (1) Year</b>	<b>Total</b>
<b>Trade and other payables</b>					
Trade	₱293,452	₱343,749	₱94,043	₱–	₱731,244
Amounts owed to related parties	5,330,216	–	–	–	5,330,216
Dividends payable	–	574,400	–	–	574,400
Accrued expenses	–	468,814	285	–	469,099
Contract liability	–	25,949	–	–	25,949
Interest payable	–	11,365	–	–	11,365
Retention fees payable	477	3,051	–	–	3,528
Others	19,308	2,019	–	–	21,327
<b>Short-term debts</b>					
Carrying amount	–	–	1,492,404	–	1,492,404
Unamortized debt issue cost	–	–	7,596	–	7,596
<b>Long-term debts</b>					
Carrying amount	–	–	88,611	930,418	1,019,029
<b>Long-term payable</b>					
Carrying amount	–	–	5,000	12,300	17,300
Unamortized discount	–	–	–	1,700	1,700
<b>Lease liabilities</b>					
Undiscounted liabilities	–	12,776	39,470	3,753,588	3,805,834
	<b>₱5,643,453</b>	<b>₱1,442,123</b>	<b>₱1,727,409</b>	<b>₱4,698,006</b>	<b>₱13,510,991</b>



The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2020 and 2019.

2020	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
<b>Cash and cash equivalents</b>					
Cash on hand and with banks	₱2,034,084	₱-	₱-	₱-	₱2,034,084
Cash under managed funds	1,634,697	-	-	-	1,634,697
Short-term cash investments	8,166,420	-	-	-	8,166,420
<b>Trade and other receivables</b>					
Trade	717,140	270,213	4,468	-	991,821
Current portion of loan receivable	-	-	255,411	-	255,411
Interest receivable	-	23,848	302	-	24,150
Amounts owed by related parties	2,275	-	685	-	2,960
Others	125,201	3,192	5,736	-	134,129
<b>Financial assets at:</b>					
FVTPL	2,846,822	-	-	906,626	3,753,448
FVOCI	2,548,760	-	-	-	2,548,760
Amortized cost	100,000	-	-	110,000	210,000
<b>Other noncurrent assets</b>					
Loan receivable - net of current portion	-	-	-	305,525	305,525
Long-term negotiable instruments	-	-	-	40,000	40,000
	<b>₱18,175,399</b>	<b>₱297,253</b>	<b>₱266,602</b>	<b>₱1,362,151</b>	<b>₱20,101,405</b>

2019	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
<b>Cash and cash equivalents</b>					
Cash on hand and with banks	₱731,522	₱-	₱-	₱-	₱731,522
Cash under managed funds	114,804	-	-	-	114,804
Short-term cash investments	11,096,802	-	-	-	11,096,802
<b>Trade and other receivables</b>					
Trade	518,650	123,877	-	-	642,527
Current portion of loan receivable	-	-	248,910	-	248,910
Interest receivable	-	53,902	631	-	54,533
Amounts owed by related parties	3,218	-	-	-	3,218
Others	79,594	4,483	-	-	84,077
<b>Financial assets at:</b>					
FVTPL	1,651,283	-	-	851,266	2,502,549
FVOCI	2,730,168	-	-	-	2,730,168
Amortized cost	244,217	-	-	210,000	454,217
<b>Other noncurrent assets</b>					
Loan receivable - net of current portion	-	-	-	574,880	574,880
Long-term negotiable instruments	-	-	-	40,000	40,000
	<b>₱17,170,258</b>	<b>₱182,262</b>	<b>₱249,541</b>	<b>₱1,676,146</b>	<b>₱19,278,207</b>

### Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, commodity prices, interest rates, equity prices and other market changes.

### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Transactions with companies outside the Philippines and with CBNC and THNC for the sale of saprolite and limonite ore and with World Aviation International Services Corporation (WAISC) for the lease of aircraft are carried out with currencies that management believes to be stable such as the US\$.



The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, financial assets at FVTPL and at FVOCI, trade and other payables and long-term debts. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US\$ and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

To mitigate the effects of foreign currency risk, the Group ensures timely follow-up and accelerates the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables and loans, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	US\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	\$193,034	₱9,270,182	\$160,950	₱8,149,689
Trade and other receivables	16,070	772,190	14,961	757,737
Financial assets at:				
FVTPL	47,763	2,293,703	21,772	1,102,409
FVOCI	4,163	199,916	15,020	760,521
	<b>\$261,030</b>	<b>₱12,535,991</b>	<b>\$212,703</b>	<b>₱10,770,356</b>
Financial liabilities:				
Trade and other payables	\$49,461	₱2,375,275	\$23,502	₱1,190,010
Long-term debts	18,375	882,423	20,125	1,019,029
	<b>\$67,836</b>	<b>₱3,257,698</b>	<b>\$43,627</b>	<b>₱2,209,039</b>

The exchange rate used for conversion of US\$1.00 to peso equivalent was ₱48.02 and ₱50.64 as at December 31, 2020 and 2019, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, in the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2020 and 2019 follows:

	Peso Weakens (Strengthens)	Sensitivity to pretax income
<b>2020</b>	<b>₱0.10</b> <b>(0.40)</b>	<b>₱19,319</b> <b>(77,278)</b>
2019	₱0.60 (0.60)	₱101,446 (101,446)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

#### *Interest Rate Risk*

The Group's exposure to the risk of changes in market interest rate relates to quoted fixed and floating debt instruments and floating-rate long-term debt.



Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following table set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

Long-term debts	<1 year	1-5 years	>5 years	Total
<b>2020</b>	<b>₱84,040</b>	<b>₱431,187</b>	<b>₱462,222</b>	<b>₱977,449</b>
2019	₱88,611	₱354,445	₱575,973	₱1,019,029

Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, in the Group's income before income tax and equity as at December 31, 2020 and 2019 are as follows:

		Change in interest rate (in basis points)	Sensitivity to income before income tax	Sensitivity to equity
<b>2020</b>	<b>Financial assets</b>	+100		<b>₱45,850</b>
		-100		<b>(45,850)</b>
	<b>Long-term debts</b>	+100	<b>(₱9,774)</b>	
		-100	<b>9,774</b>	
2019	Financial assets	+100		₱38,098
		-100		(38,098)
	Long-term debts	+100	<b>(₱10,190)</b>	
		-100	<b>10,190</b>	

The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.

#### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.



The table shows the sensitivity to a reasonably possible change in equity prices of quoted equity instruments as at December 31, 2020 and 2019, except equity-linked investments.

	Average change in market indices (in percentage)	Sensitivity to equity
<b>2020</b>	<b>33.30%</b>	<b>₱47,105</b>
	<b>-33.30%</b>	<b>(47,105)</b>
2019	14.52%	₱10,016
	-14.52%	(10,016)

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

#### Capital Management

The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, other current liability, short-term and long-term debts, lease liabilities, long-term payable, pension liability, provision for mine rehabilitation and decommissioning, deferred income tax liabilities and deferred income.

The Group considers the following as capital:

	2020	2019
Capital stock	<b>₱6,849,836</b>	₱6,849,836
Additional paid-in capital	<b>8,271,900</b>	8,262,455
Cost of share-based payment plan	<b>441,589</b>	370,522
Share in cumulative translation adjustment	<b>381,991</b>	612,635
Net valuation gains on financial assets at FVOCI	<b>57,771</b>	32,243
Asset revaluation surplus	<b>30,948</b>	31,331
Retained earnings:		
Unappropriated	<b>14,952,425</b>	13,713,383
Appropriated	<b>189,950</b>	1,585,576
Treasury stock	<b>(134,014)</b>	(87,950)
NCI	<b>3,554,393</b>	3,761,230
	<b>₱34,596,789</b>	₱35,131,261



The table below shows the Group's debt-to-equity ratio as at December 31, 2020 and 2019.

	2020	2019
Total liabilities (a)	<b>₱14,316,501</b>	₱13,130,692
Equity (b)	<b>34,596,789</b>	35,131,261
Debt-to-equity ratio (a/b)	<b>0.41:1</b>	0.37:1

The Group is not exposed to externally imposed capital requirements.

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### 39. Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

#### *Cash and Cash Equivalents*

The carrying amount 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 of long-term negotiable instruments approximate their fair values since interest are earned based on long-term cash investment rates.

#### *Financial Assets at FVTPL and at FVOCI*

The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. Upon adoption of PFRS 9, the Group used the net asset approach with consideration of lack of marketability discount and lack of control discount in determining the fair value of unquoted equity securities since the fair value measurement is unobservable (Level 3).

#### *Financial Assets at Amortized Cost*

The carrying amount of financial assets at amortized cost, which is measured using the EIR, is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

#### *Long-term Debts and Long-term Payable*

The fair values of long-term debts and long-term payable are based on the present value of future cash flows discounted using applicable risk free rates for similar types of loans adjusted for credit risk.

#### Fair Value Hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and



- Those inputs for assets or liability that are not based on observable market date (unobservable inputs; Level 3).

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets measured at fair value:</b>						
<i>Financial assets at:</i>						
FVTPL	₱3,268,617	₱-	₱484,831	₱1,878,618	₱-	₱623,931
FVOCI	2,548,760	-	-	2,730,168	-	-
	<b>₱5,817,377</b>	<b>₱-</b>	<b>₱484,831</b>	<b>₱4,608,786</b>	<b>₱-</b>	<b>₱623,931</b>

As at December 31, 2020 and 2019, the fair value of the quoted debt and equity securities at the close of the business is the quoted market price (Level 1) and the fair value of unquoted equity securities is determined using the net asset approach since the fair value measurement is unobservable (Level 3).

As at December 31, 2020 and 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.

#### 40. Significant Agreements and Other Matters

##### Significant Agreements

##### a. Loan Agreements

###### *East Coast*

In relation to the Supplemental Agreement executed by CMC and East Coast on December 18, 2015, CMC and East Coast executed a Loan Agreement wherein CMC granted East Coast a loan facility amounting to ₱1,000.0 million with an interest rate of 3.00% p.a. The loan was issued in two tranches of ₱150.0 million in October 2015 and ₱850.0 million in December 2015. As payment for the loan, CMC shall deduct 50% of the commission and royalties, net of withholding tax and interest, each time a commission, royalty or additional royalty is paid by CMC to East Coast. The loan is secured by a Pledge Agreement between CMC and East Coast covering the latter's rights, interests, receivables, obligations, and liabilities over the Mineral Production Sharing Agreements (MPSA) on the Cagdianao property owned by East Coast (see Note 40e).

On March 28, 2019, CMC and East Coast amended the Loan Agreement executed in 2015. East Coast obtained an additional ₱280.0 million loan from CMC. The outstanding balance due to CMC under the original and amended Loan Agreements shall be paid by deducting 60% of the commission and royalties, net of withholding tax and interest payments, each time a commission, royalty or additional royalty is paid by CMC to East Coast.

The current portion of loan receivable amounting to ₱255.4 million and ₱248.9 million was included under "Trade and other receivables", while the noncurrent portion amounting to ₱305.5 million and ₱574.9 million was included under "Other noncurrent assets" as at December 31, 2020 and 2019, respectively (see Notes 5 and 13). Interest income from the loan amounted to ₱22.4 million, ₱25.9 million and ₱24.3 million in 2020, 2019 and 2018, respectively (see Note 29).





*World Aviation Corporation*

On October 11, 2019, WAC executed a promissory note to pay the loan issued by CPDL amounting to US\$5.1 million (equivalent to ₱263.8 million). The principal is due for payment on October 22, 2019. In full settlement of the loan, WAC offered to transfer, by way of dation in payment, all of its rights as the registered owner of an aircraft described as Citation XLS+.

b. Throughput Agreements

*THNC*

On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the DENR that issued an “Order to Use Offshore Area” dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

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

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

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

In 2020, 2019 and 2018, service revenues from usage of pier facilities of TMC amounted to ₱127.0 million, ₱143.8 million and ₱154.7 million, respectively (see Note 34).

*CBNC*

Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in US\$, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

c. Memorandum of Understanding (MOU)

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



be 20%-25% and 75%-80%, respectively.

Following the MOU is the THNC's Stockholders Agreement (the Agreement) entered into by the Parent Company, SMM and Mitsui on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Parent Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively.

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

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

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

The Agreement shall terminate upon the dissolution of THNC.

d. Sales Agreements

*Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 34a)*

*Nickel Ore Supply and Service Agreement with CBNC (see Note 34a)*

*Nickel Ore Supply Agreement with THNC (see Note 34a)*

*Materials Handling Agreement with THNC (see Note 34a)*

*Nickel Ore Supply Agreements with Chinese Customers*

HMC, CMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume of expected delivery within a few months.

Sale of ore to Chinese customers amounted to ₱15,832.1 million, ₱10,845.5 million and ₱10,899.8 million in 2020, 2019 and 2018, respectively (see Note 32).

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

RTN and TMC entered into an agreement with Mitsubishi, a Singapore and Japan-based corporations, covering the sale of its ore products. Under the terms of the agreement, the ore sales are benchmarked to China prices on the basis of a negotiated price per WMT of ore. Mitsubishi shall pay 85% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Under the agreement, the end user of the material is PAMCO. Sale of ore to Mitsubishi amounted to ₱78.9 million, ₱167.3 million and ₱281.0 million in 2020, 2019 and 2018, respectively (see Note 34).



e. Mining Agreements

i. *MPSA*

RTN

On June 4, 1998, the Government approved the conversion of RTN's Mining Lease Contracts under the old mining regime into a MPSA with the Government pursuant to the Philippine Mining Act of 1995. The MPSA allows RTN to explore, develop and continue mining operations for nickel ore within the contract area covering 990 hectares in the Municipality of Bataraza, Southern Palawan Island. Under RTN's Environmental Compliance Certificate (ECC), however, 144 hectares of the contract area are excluded from mining operations, being located within an area classified as "core zone" where mining is prohibited under current regulations of the Palawan Council for Sustainable Development (PCSD).

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending.

On April 28, 2005, RTN and the Government entered into a second MPSA covering 85 hectares in the Municipality of Bataraza, which allows RTN to mine limestone in Sitio Gotok. Limestone being mined by RTN pursuant to this second MPSA is being sold to CBNC for the latter's Coral Bay HPAL plant and to a third party.

Under both MPSAs, RTN pays a 4% excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty-five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

On May 30, 2008, the PCSD issued a resolution interposing no objections to the revision by the Municipality of Bataraza of its Environmentally Critical Areas Network map that, among others, seeks to reclassify the core zone within the contract area into a mineral development area. The reclassification was approved by the Municipal Development Council of the Municipality of Bataraza on November 18, 2009, and subsequently approved by the Provincial Board on January 5, 2010.

On September 1, 2015, the Strategic Environmental Plan clearance was issued by PCSD to RTN which is a requirement in obtaining ECC approval from DENR. The processing of the Application for MPSA by the MGB is consequently under way.

As at March 11, 2021, the MPSA of RTN is valid and in effect.

HMC

*Taganaan Nickel Project*

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into a MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the contract area covering 773.77 hectares in the Municipality of Taganaan, Surigao del Norte. Under the MPSA, HMC pays the Government a 4% excise tax and a 5% royalty on gross revenues, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

As at March 11, 2021, the MPSA of HMC in Taganaan is valid and in effect.



*Manicani Nickel Project*

On August 13, 1992, HMC and the Government entered into a MPSA, which allows HMC to explore, develop and mine nickel ore within the contract area covering 1,165 hectares in Manicani Island, Municipality of Guiuan, Eastern Samar. Under the MPSA, HMC shall pay the Government a 2% excise tax, 1% royalty and 10% of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On August 2, 2004, the Regional Panel of Arbitrators of the MGB recommended the cancellation of the MPSA as a result of allegations by third parties against the operations of HMC. On September 4, 2009, the Mines and Adjudication Board of the DENR issued a decision setting aside the decision of the Panel of Arbitrators. Hence, the MPSA remains in effect. HMC is currently not conducting mining operations in Manicani.

On May 23, 2016, HMC applied for the renewal of its MPSA in Manicani which expired on August 13, 2017. As at March 11, 2021, HMC is yet to receive the confirmation from DENR.

TMC

On July 28, 2008, the Government approved the conversion of TMC's Operating Contract into a MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the contract area covering 4,584.51 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the contract area to 4,862.71 hectares. The MPSA is valid until July 28, 2033.

Under the MPSA, TMC pays the Government a 4% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

As at March 11, 2021, the MPSA of TMC is valid and in effect.

DMC

On July 30, 2007, the Platinum Group Metals Corporation (PGMC) and the Government entered into a MPSA, which allows PGMC to explore, develop and mine nickel ore within the contract area covering 2,392 hectares in the Municipality of Dinapigue, Province of Isabela.

On January 6, 2009, PGMC and DMC executed a Deed of Assignment transferring to DMC all the rights, title and interest in and into the MPSA over the contract area.

Under the MPSA, DMC shall pay the Government a 4% excise tax. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of DMC, with approval from the Government.

As at March 11, 2021, the MPSA of DMC is valid and in effect.

ii. *Operating Agreements*

TMC

*La Salle*

On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and



limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued.

The Operating Agreement specifies a royalty to La Salle of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of 25% per year over a period of four (4) years.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle. TMC has written-off the deferred charges relating to the limestone development and exploration in previous years.

As at March 11, 2021, the MPSA remains pending.

#### *Kepha*

On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of MPSA No. 284-2009-XII-SMR covering 6,980.75 hectares in the Municipality of Claver, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of US\$1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of 10% per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a 2% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government.

On February 13, 2017, the DENR issued a show cause order directing Kepha to explain why its MPSA should not be cancelled for being allegedly within a watershed, which is protected under the Philippine Mining Act of 1995 and other existing applicable laws, rules and regulations. On February 24, 2017, Kepha replied to the letter stating that based on the MGB Region XIII's downloadable tenement map, the MPSA area is outside of any existing legally proclaimed watershed.

On September 10, 2018, the second renewal of Kepha's two (2) year exploration period was approved by the MGB. As at March 11, 2021, Kepha is in the process of renewing the third renewal of its two (2) year exploration period.

Exploration cost pertaining to the project was included under deferred mine exploration costs in "Other noncurrent assets".

As at March 11, 2021, there were no drilling activities related to the Kepha project.

#### CMC

##### *East Coast*

On November 19, 1997, CMC entered into a Memorandum of Agreement (MOA) with East Coast, the holder of a MPSA with the Government issued on the same date covering a contract area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The MOA allows



CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

The MOA expired on November 19, 2007 and was renewed for a period of ten (10) years. In consideration, East Coast was paid ₱100.0 million upon signing of the extension which was recorded as advances to claimowners, repayable over a ten (10) year period at a rate of ₱10.0 million per year. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of East Coast, with approval from the Government.

Under the MPSA, CMC pays the Government an excise tax of 2%, and a 5% royalty, as the contract area is within the Surigao Mineral Reservation.

Further, on December 18, 2015, CMC and East Coast executed a Supplemental Agreement to provide for the automatic renewal of the term of the MOA for another twenty-five (25) years, or from 2022 to 2047. As at March 11, 2021, the MOA has not been terminated and continues to be in full force and effect subject to the supplemental terms agreed by CMC and East Coast. In consideration of the new term as well as the other conditions contained in the Supplemental Agreement, CMC granted a loan of ₱1,000.0 million to East Coast and paid royalties amounting to ₱150.0 million (see Note 40a). Thereafter, CMC shall pay East Coast commission and royalties as follows:

- Commission equivalent to 3.5% on the gross sales amount of all nickel ore;
- Royalties equivalent to either 7% or 8.75% on the gross sales amount of all nickel ore depending on the monthly average LME nickel settlement price; and
- Additional royalty ranging from ₱10.0 million to ₱50.0 million depending on CMC's audited net income after tax less the additional royalty amount.

The commission expense related to East Coast that is reported under "Marketing" amounted to ₱175.4 million, ₱126.9 million and ₱115.3 million in 2020, 2019 and 2018, respectively.

#### DMC

DMC and NiHAO Mineral Resources International Inc. (NiHAO) entered into an Operating Agreement on June 13, 2012, under which NiHAO shall have the exclusive right to explore, operate, mine, develop and process minerals found within DMC's mineral property.

Pursuant to the agreement, DMC shall pay NiHAO an amount equivalent to 90% of the invoice value of the nickel ore sold by DMC to third parties in consideration of the services to be performed by NiHAO. This agreement superseded the General Contractor Agreement entered into by NiHAO with DMC on March 5, 2012. The General Contractor Agreement was executed to appoint NiHAO as DMC's general contractor for the Isabela Nickel Project.

In connection to the acquisition of DMC by NAC, NiHAO's operating rights over the Isabela Nickel Project will be converted into preferred shares of DMC, which shares shall be entitled to dividends corresponding to 20% of operating income, net of income tax, subject to Shareholder's Agreement to be executed between NiHAO and DMC. As at March 11, 2021, the Shareholder's Agreement is not yet executed.

f. Loan Guarantee/Substitution Agreement

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.



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

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

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

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

The loan guarantee service fee amounting to ₱47.0 million, ₱64.3 million and ₱65.1 million in 2020, 2019 and 2018, respectively, is recorded under "Finance expenses" in the consolidated statements of income (see Note 30).

g. Power Supply Agreements

*SURNECO*

On October 31, 2013, the Parent Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Parent Company has agreed to construct, operate, and maintain a 10MW bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO. As defined in the PSA, SURNECO will pay to the Parent Company the monthly fees equal to the capital recovery fee of the power station plus fixed and variable operations and maintenance fee, fuel cost and any other applicable taxes.

The total estimated cost to construct the 10MW bunker-fired diesel power station is about ₱1,000.0 million, which was appropriated from its retained earnings in 2017 (see Note 18).

The power plant underwent endurance test and commissioning from September 26 to October 12, 2016 to determine its readiness to operate and dispatch power to SURNECO through the grid's 69KV power system. Minor modifications were identified and incorporated into the plant design. The impact of the earthquake in February 2017 in Surigao City partially affected the installation at the connection asset, hence, repairs were done. The power plant was finally re-connected to the grid in April 2017 and is awaiting for the COC from the ERC.

However, while the application for COC is on process, ERC issued the PAO for six (6) months from July 10, 2017 to January 9, 2018 and subsequently extended for another three (3) six (6) months from January 10, 2018 to July 9, 2018, July 10, 2018 to January 9, 2019 and January 10, 2019 to July 9, 2019.



Finally, prior to the expiration of the fourth extension of the PAO on July 9, 2019 and after a series of deliberation of the Point to Point Connection Agreement between the Parent Company and SURNECO having no other concerns to ascertain its validity, ERC issued the COC on June 26, 2019.

The Parent Company and SURNECO agreed to commence the commercial operations of the three (3) generating units starting on June 26, 2018 for the first generator set, December 26, 2018 for the second generator set and June 26, 2019 for the third generator set. Each generating unit has a contracted capacity of 3.33MW. The plant operates based on the agreed schedule and in consonance with the load nominations from SURNECO.

Currently, the power plant is ready to dispatch power at 10MW in accordance with the signed and approved PSA.

In 2020, 2019 and 2018, the revenue from sale of power amounted to ₱29.7 million, ₱44.7 million and ₱16.1 million, respectively, while the capital recovery fee, amounted to ₱134.3 million, ₱111.9 million and ₱22.4 million, respectively.

#### Solar Supply

In 2015, EPI entered in a PSA with PALECO for the construction and development of a 10MW AC Solar Photovoltaic (PV) Power Station. Under the PSA, EPI shall design, engineer, develop, construct, complete, test, commission, finance, operate and maintain the Solar PV Power Station and all activities related or incidental thereto of PALECO. All costs in connection with the building of the Solar PV Power Station shall be borne by EPI, and EPI shall be responsible for arranging all necessary funding including any available preferential credit. During the commissioning date, PALECO shall put up, a commissioning output at a rate equivalent to the adjusted operation and maintenance component plus any VAT and any other applicable taxes, fees, and charges. Following the commercial operation date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI monthly fees equal to the capital recovery fee of the Solar PV Power Station plus fixed operations and maintenance fee and any VAT and any other applicable taxes. As at December 31, 2020, construction of the sub-transmission facility has yet to be approved by the ERC.

#### *Oriental Mindoro Electric Cooperative (ORMECO) and OMECO*

In February 2014, EPI entered into separate PSAs with ORMECO and OMECO. Under the terms of the PSAs, EPI is committed to sell and deliver approximately 20MW each of geothermal power from the Montelago Geothermal Power Project to ORMECO and OMECO for a period of approximately twenty-five (25) years. The PSAs are renewable upon the agreement of the parties and approval of the ERC.

On November 3, 2014 and December 1, 2014, EPI was granted by the ERC of the Final Authorities on the PSAs with OMECO and ORMECO, respectively. On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the transfer of EPI's rights and obligations under GRESC No. 2010-02-013 to MGPC or the Montelago Geothermal Energy Project, including the said PSAs.

On December 5, 2014, EPI requested from the DOE the approval of the transfer of GRESC No. 2010-02-013 to MGPC. On February 16, 2016, the DOE approved the said transfer.

In connection with the assignment of the service contract to MGPC, the refundable deposits pertaining to compliance with the PSAs with OMECO and ORMECO were transferred by EPI to MGPC being the Project Entity.





On March 13, 2019, MGPC has been involved in a legal case after receiving a “Notice of Seller Default” from OMECO, alleging therein that MGPC has failed to comply with its main obligation under the PSA for the supply of 20MW electricity.

On December 4, 2019, MGPC filed a Petition for Indirect Contempt against OMECO for the latter’s competitive selection process activities for its full load power requirement, which violates the Temporary Order of Protection and Status Quo Order issued by the Regional Trial Court.

In a decision dated December 16, 2020, the Court denied MGPC’s Petition for Indirect Contempt. MGPC filed a Motion of Reconsideration on February 5, 2021.

*Aboitiz Energy Solutions, Inc. (AESI)*

In December 2020, JSI entered into a PSA with AESI. Under the terms of the agreement, JSI is committed to sell and deliver pro-rata share of 7MW starting March 26, 2021, escalating to 10MW starting May 26, 2021, from the Sta. Rita Solar Power Project for a period of three (3) years.

h. Service Contracts

*Solar Energy Service Contract No. 2015-01-099*

On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the DOE which grant EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

Under the SESC, EPI assumes all the technical and financial risks without any guarantee from the Philippine Government and shall not be entitled to reimbursement for any expense incurred in connection with the SESC.

The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

On January 20, 2020, EPI requested DOE for voluntary termination of this SESC. As a result, EPI written-off project development costs amounting to ₱1.8 million (see Note 31).

*Solar Energy Service Contract No. 2013-10-039*

On October 31, 2013, JSI entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity generated from the solar energy operations.

On August 28, 2015, JSI was granted a Certificate of Confirmation of Commerciality by the DOE for its 100MW Sta. Rita Solar Power Project located in Mt. Sta Rita, SBFZ. The certificate converts the project’s SESC from exploration/pre-development stage to the development/commercial stage.



On March 11, 2016, JSI's Certificate of Confirmation of Commerciality originally rated for the 100MW was amended by DOE to 7MW and 93MW Sta. Rita Solar Power Project Phase I and II, respectively. JSI commenced operation in May 2016.

On April 11, 2017, JSI applied to the DOE for the amendment of the Amended Confirmation of Commerciality rated 7MW and 93MW to 32MW (consolidating Phase I at 7MW and Phase II at 25MW) and 68MW as Phase III based from JSI's progress on the EPC revised timetable. As at December 31, 2020, JSI's application is still pending.

*Wind Energy Service Contract (WESC) No. 2013-10-062*

On October 31, 2013, JSI entered into a WESC with the DOE. The WESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The WESC is for a period of twenty-five (25) years, inclusive of a three (3) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the WESC shall be 1% of the gross income from the sale of electricity generated from wind energy operations.

On August 17, 2020, JSI decided to surrender its WESC which was acknowledged by the DOE on September 17, 2020. As a result, JSI written-off project development costs pertaining to the pre-development and pre-operating activities for the Bataan Wind Power Project which amounted to ₱1.7 million (see Note 31).

*Geothermal Renewable Energy Service Contract No. 2016-02-060*

GRES No. 2010-02-013, which covers an approximate area of 3,914 hectares in the three barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of at least 20MW. Once completed, the addition of geothermal power into the present mix of Mindoro's electricity sources will have a stabilizing effect on the grid where the entire island is located.

The Project is in the exploration stage as at December 31, 2020.

As RE Developer, EPI undertakes to provide financial, technical, or other forms of assistance with the DOE, and agrees to furnish the necessary services, technology, and financing for the geothermal operations. EPI shall assume all financial risks such that if no geothermal resources in commercial quantity is discovered and produced, EPI shall not be entitled to reimbursement for any expenses incurred in connection with the GRES.

Certificate of Registration No. 2014-02-054 shall remain in force for the remainder of twenty-five (25) years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof. Moreover, if EPI has not been in default in its obligations under the GRES, the DOE may grant an additional extension of twenty-five (25) years, provided that the total term is not to exceed fifty (50) years from the date of effectivity.

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRES to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRES to MGPC. The DOE approved EPI's application on February 16, 2016 under Certificate of Registration No. 2016-02-060.



The Project is currently at the exploration phase and is expected to have an operating capacity of 40MW. The geothermal plant will supply electricity to Oriental Mindoro and Occidental Mindoro at 20MW capacity each.

*Geothermal Renewable Energy Service Contract No. 2010-02-010*

By virtue of RA 9513 known as the Renewable Energy Act of 2008, on February 1, 2010, the DOE issued to BGI GRESC No. 2010-02-010, converting its Geothermal Services Contract (GSC-09) issued on July 10, 2008 for the exploration, development and exploitation of geothermal resources covering the geothermal field in Biliran Province (previously a municipality of Leyte). By virtue of such agreement, BGI is entitled to enjoy an income tax holiday for a period of seven (7) years from the start of its commercial operation, duty free importation of machinery for ten (10) years, and 0% VAT, among others.

*Geothermal Renewable Energy Service Contract No. 2017-03-056*

This GRESC is a spin-off of the above BGI GRESC, issued by the DOE, and delineates the northern area of the island province of Biliran as a separate BGI exclusive development zone with a greenfield status.

i. Sub-transmission Service Agreement (SSA) with PALECO

In 2015, EPI entered into a SSA with PALECO for the installation of 69kV sub-transmission facilities and associated components (substations), and the connection of said facilities to PALECO's distribution system for the delivery of reliable power supply to the municipalities of El Nido, Taytay, San Vicente and Roxas (the "Municipalities") in the province of Palawan. Under the SSA, EPI shall develop, design, construct, install, test and commission, and finance the sub-transmission lines and substations in the Municipalities. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the SSA, PALECO shall pay monthly fees as defined in the SSA, plus any VAT and any other applicable taxes, fees and charges. PALECO shall also pay EPI a payment security equivalent to one month fee, which shall be in the form of a thirty (30)-day revolving letter of credit from a financial institution and with a maturity of three hundred sixty five (365) days. As at December 31, 2020, ERC's approval of the sub-transmission facility has not yet been acquired.

j. Investment Agreement

On August 24, 2015, an Investment Agreement was executed by and among BGI, OGIPL, BGHI, EPI, and BHI. The said agreement sets out the principal terms and fundamental transactions pursuant to which BHI shall invest in BGI and the Biliran Geothermal Project, the respective rights and obligations of parties to the project, and the strategic arrangements for the management and operation of BGI and the project. The Investment Agreement provides that:

- BGI shall increase its authorized capital stock by 1,845,000 common shares, with par value of ₱1 per share within sixty (60) days from the signing of the agreement.
- BHI shall subscribe to the said increase in the authorized capital stock of BGI.
- BGI shall undertake to procure that all its stockholders of record at the time of the subscription shall waive any pre-emptive right, right of first refusal or preferential right of subscription to the first subscription shares in favor of BHI.
- BGHI shall then purchase from Filtech Energy Drilling Corp. (FedCo) its shares in BGI.
- BGI shall apply for quasi-reorganization in respect of its authorized capital stock prior to the subscription of BHI in order to apply all of its additional paid-in capital to its deficit and to increase its authorized capital stock, and convert all the issued and outstanding existing preferred shares of BGI into common shares.



- BHI shall further subscribe to 88,155,000 common shares of BGI as part of the second subscription. Thereupon, BGI shall convert ₱58.8 million BGHI receivables into common shares in favor of BGHI.
- BGHI shall sell and BHI shall purchase 60% of BGHI's receivables from BGI and the parties shall cause the conversion of the said receivables into redeemable preferred non-voting shares.
- BHI shall pledge all of the redeemable preferred non-voting shares it received from BGI to BGHI as security for the payment of the amount equal to the face value of the BGHI's receivables and new BGHI receivables purchased by BHI.

The Investment Agreement also states that BGHI and BHI shall each maintain their respective shareholding percentage in BGI's equity capital at 40% and 60%, respectively, unless otherwise agreed in writing. Either BGHI or BHI may freely transfer its shares, except that no transfer shall be made by a party to any person if such transfer would reduce the stock ownership of Filipino citizens in BGI to less than the required percentage of the capital stock as provided by existing applicable law.

As at December 31, 2020, BGI has implemented the following:

- BGI increased its authorized capital stock by 1,845,000 common shares with par value of ₱1 per share;
- BHI subscribed to 1,845,000 shares of BGI at par value;
- BGHI purchased FEDCO's shares in BGI;
- Amendment of the Articles of Incorporation of BGI to reclassify 492,000 preferred shares with par value of ₱1 into common shares with par value of ₱1 per share;
- Amendments of BGI's by-laws to incorporate all the provisions of the October 22, 2015 Shareholder's Agreement; and
- BHI and BGHI's 60% and 40% ownership of the outstanding capital stocks of BGI, in accordance with the Investment Agreement.

k. Participation and Shareholder's Agreement

In May 2011, the Parent Company and SMM signed a Participation and Shareholder's Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest US\$1.5 million in CExCI for 25% equity. Once such funds have been exhausted, SMM has the option to invest US\$2.8 million for an additional 15% equity which would bring its total equity in CExCI to 40%. SMM did not exercise its option to make the additional investment and the said agreement was terminated.

CExCI has identified a new property for exploration and development in the province of Zambales under Newminco, which is prospective for gold and copper. In relation to this, SMM put up an additional US\$2.8 million to increase its ownership from 25% to 40%. On November 24, 2015, the shareholders of CExCI agreed to enter into a new Participation and Shareholder's Agreement to set out the rights and obligations of the shareholders in relation to the conduct of the business of CExCI. The new agreement also causes CExCI to convert the existing advances from shareholders amounting to ₱37.2 million into equity, based on the initial equity proportion of shareholders, by issuing shares out of the unissued authorized capital stock of CExCI at a premium. CExCI has filed the application for the conversion of advances into equity with the SEC. As at December 31, 2020, CExCI is still waiting for the SEC's approval of the conversion of advances into equity.

On December 18, 2015, the BOD of CExCI approved the increase in authorized capital stock of the latter. Upon approval of the SEC of the application for increase in authorized capital stock of



CExCI, the additional investment of SMM amounting to US\$2.8 million, which is equivalent to ₱131.9 million, will be converted into equity. After the conversion, the Parent Company and SMM's equity in CExCI shall be 57% and 40%, respectively. As at December 31, 2020 and 2019, SMM made an additional advances to CExCI for a total amount of ₱92.6 million and ₱52.0 million, respectively, following the equity cash call made by the latter.

1. Marketing Agreement with Mitsubishi Corporation (Shanghai) Ltd. (MICOLI) and/or Mitsubishi Corporation RTM China Limited (MCRCL)

RTN, TMC and HMC entered into a Marketing Agreement with MICOLI and/or MCRCL, wherein the latters will provide the services set forth below:

- a) To use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
- b) To periodically report market information defined in the marketing agreement;
- c) To make efforts to introduce customers to RTN, TMC and HMC and provide support to the Group in negotiating the price and terms and conditions of sales contracts of the products by and between the Group and customers; and
- d) To monitor and assess trends of customers and support RTN, TMC and HMC to create an effective pricing strategy and marketing plan.

Marketing fees of 3.5% shall be charged to RTN, TMC and HMC based on the total amount of revenue on FOB price stated in the invoices issued by RTN, TMC and HMC to each customer.

Marketing fees charged by MICOLI and/or MCRCL amounted to ₱32.6 million, ₱30.2 million and ₱24.9 million in 2020, 2019 and 2018, respectively, are part of marketing expenses in the consolidated statements of income.

m. Lease Agreements

*Lease Agreement with THNC*

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties. TMC's rental income from the said lease amounted to ₱6.9 million in 2020 and 2019 and ₱6.7 million in 2018 which are part of rent income under "Other income (charges) - net" (see Notes 31 and 34). In the above lease agreement, it was agreed by TMC and THNC that the option fee of ₱83.8 million received in 2010 shall be treated as advance rental and deducted from the annual rental fee. The same shall be equally applied to each year of the lease term or ₱4.2 million each year of the twenty (20) year lease term.

As at December 31, 2020 and 2019, the carrying value of deferred income - net of current portion amounted to ₱46.1 million and ₱50.3 million, respectively.

*Lease Contract with the DENR*

TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 sq. m. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the



terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.

*Aircraft Lease Agreement with WAISC*

On December 10, 2019, CPDL and WAISC entered into an agreement for the lease of an aircraft, the Cessna Citation CJ4 Model 525C (or Citation CJ4), for a monthly rental fee of US\$1,000, inclusive of all applicable taxes, for a period of five (5) years and shall continue in increments of one (1) month, unless terminated earlier. On December 9, 2020, CPDL and WAISC agreed to amend the rental fees to US\$76,690 per month effective from January 1 to December 31, 2020.

n. PEZA and Board of Investments (BOI) Registration

*Registration with PEZA - TMC*

On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680 hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte to be known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended.

Under PEZA Board Resolution No. 11-08 dated March 1, 2011, its directors approved TMC's application for extension of its existing TSEZ. On July 28, 2011, pursuant to the resolution, the Government issued Proclamation No. 211 designating parcels of land with an aggregate area of 7.5 hectares located at Barangay Taganito, municipality of Claver, Province of Surigao del Norte, for inclusion to the existing TSEZ.

On January 23, 2013, PEZA issued a Letter of Authority No. 13-0426 allowing TMC to allocate 1 hectare lot within the TSEZ located at Barangay Taganito, Claver, Surigao del Norte as relocation site for the residents along Hayanggabon River, Barangay Hayanggabon, Claver, Surigao del Norte.

On December 27, 2016, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay 5% final tax on gross income. The certification is valid from January 1 to December 31, 2020 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

On January 13, 2021, TMC renewed its certification from PEZA as well as its VAT zero rating entitlement which is valid from January 1 to December 31, 2021.

*Registration with PEZA - RTN*

On December 27, 2002, RTN registered with the PEZA as the developer/operator of Rio Tuba Processing Zone, located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The PEZA-registered activities are entitled to certain tax and nontax incentives. Starting 2003, such activities are already subject to 5% tax based on GIT in lieu of national and local taxes and



licenses except those required to be paid under the MPSA dated June 4, 1998 executed by and between the DENR and RTN. RTN's certification from PEZA is valid from January 1 to December 31, 2020 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period. On February 7, 2021, RTN received the renewal of its certification from PEZA which is valid for the year 2021.

*Registration with SBMA - JSI*

On January 20, 2011, JSI was registered with the SBMA as a Subic Bay Freeport Enterprise, primarily to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and system at Mt. Sta. Rita, SBFZ. The SBMA-registered activities are entitled to certain tax and non-tax incentives. In lieu of paying the regular taxes, JSI pays 5% final tax on gross income earned, subject to the condition that JSI's income from sources within the Custom Territory should not exceed 30% of its total income from all sources. Otherwise, JSI shall be subject to the income tax laws of the Custom Territory.

*BOI Certifications*

TMC, RTN, HMC and CMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales". The certifications are valid from January 1 to December 31, 2020 and renewable annually, unless sooner revoked by the BOI Governing Board.

As at March 11, 2021, TMC, RTN, HMC and CMC received the renewal of their BOI certification which is valid from January 1 to December 31, 2021.

On April 29, 2014, BGI was registered with the BOI in accordance with the provision of the Omnibus Investment Code of 1987, as amended as a new RE developer of geothermal energy resources.

On August 27, 2014, MGPC was registered with the BOI as a RE developer of geothermal energy resources. The BOI has issued the certificate of registration of MGPC on October 7, 2016.

o. Share Purchase Agreements

*SMM*

On September 15, 2016, the Parent Company and SMM executed a SPA wherein the latter agreed to purchase the Parent Company's 511,875,000 shares in THNC, representing 12.5% of the outstanding capital stock of THNC, at a purchase price of US\$42.0 million, which is equivalent to ₱2,037.2 million (see Note 10). The sale and purchase of the shares was consummated upon the written consent of Japan Bank for International Cooperation.

The SPA also provides that for a period of eighteen (18) years but no earlier than three (3) years from the execution of the SPA, the Parent Company shall have the right to repurchase from SMM such number of shares of THNC equivalent to 12.5% equity ownership therein at the time when the right is exercised. The repurchase right can only be exercised once. The Parent Company received the full payment of the purchase price on October 17, 2016.

*MOA with SMM*

Pursuant to the SPA with SMM, the Parent Company and SMM also agreed on September 15, 2016 that effective July 1, 2016, their responsibility to provide loans and guarantee obligations of THNC shall be 10% and 75%, respectively.



*TBEA*

On November 12, 2019, EPI, TBEA and JSI entered into a Share Sale and Purchase Agreement, which sets out the terms and conditions in respect of the purchase by TBEA from EPI of up to 20% of the total issued shares of JSI.

The first sale transaction involves 170,364,774 shares or 10% of the total issued shares. The second sale transaction involves another 170,364,774 shares or another 10% of the total issued shares.

On June 17, 2020, TBEA acquired 10% ownership interest in JSI for a total consideration of ₱144.3 million.

p. Retail Supply Contracts

*Manta*

On November 11, 2016, MEI entered into a contract with Manta for the supply of electricity to meet Manta's full power requirements for the NAC Tower. The contract is for a period of two (2) years commencing on December 26, 2016, and was extended until 2019 upon mutual consent of both parties. In each billing month throughout the term of the contract, Manta shall take and pay MEI's minimum energy quantity of 255,000 kilowatt-hour (kWh). Manta shall also pay a security deposit amounting to ₱2.9 million, which shall stand as security for the faithful and proper compliance by Manta of its obligations under the contract. On September 18, 2019, EPI sold all its investment in MEI.

MEI recognized revenue amounting to nil, ₱19.1 million and ₱27.8 million from this contract in 2020, 2019 and 2018, respectively (see Note 34).

q. Aircraft Purchase Agreement and Related Contracts

*Option Agreement*

On April 24, 2013, RTN secured an option to purchase an aircraft, described as Citation XLS+, with WAC. The Option Agreement granted RTN the absolute and exclusive right to purchase the said aircraft which is exercisable anytime within the twelve (12) year term. In consideration, RTN paid an option fee of US\$2.3 million (equivalent to ₱97.8 million) which shall be fully deducted from the purchase price of the aircraft once the option is exercised.

*Assignment of the Option Agreement*

On August 19, 2019, RTN assigned to CPDL its absolute and exclusive right to purchase the Citation XLS+ from WAC. In consideration of the assignment, CPDL paid an option fee of US\$0.9 million (equivalent to ₱48.0 million) to RTN.

The remaining balance of the deposit for aircraft acquisition of RTN amounting to ₱51.1 million was written-off in 2019 (see Note 31). Consequently, CPDL also written-off the option fee paid to RTN amounting to US\$0.9 million (equivalent to ₱48.0 million; see Note 31).

*Aircraft Purchase Agreement (APA) and Trade-In Agreement*

On August 19, 2019, CPDL entered into an APA with Textron Aviation Inc. (Textron) to purchase Citation CJ4 with serial number 525C-0256 for a total consideration of US\$9.3 million (equivalent to ₱471.2 million). In relation to this, CPDL and Textron also entered into a Trade-In Agreement, which is part of the APA, wherein they agreed to trade-in the used aircraft, particularly described as Citation XLS+ with serial number 560-6147, for Citation CJ4 for a corresponding trade-in value of US\$6.0 million (equivalent to ₱303.8 million). The difference in





the purchase price of Citation CJ4 and Citation XLS+ was paid in cash by CPDL. The Citation CJ4 was delivered in December 2019.

On December 10, 2019, CPDL and Textron agreed to amend the Trade-In Agreement based on the findings of the trade-in inspections as follows:

- a) US\$5.9 million will be paid by Textron to CPDL when the trade-in aircraft is delivered to Textron
- b) US\$0.1 million will be held by Textron for up to six (6) months after the delivery date of the trade-in aircraft to Textron to be applied toward the repair or replacement of the already identified airworthiness discrepancies as well as any airworthiness discrepancies that are discovered during the replacement of the RH engine combustion liner.
- c) If the cost of the repair or replacement of the already identified airworthiness discrepancies as well as any airworthiness discrepancies that are discovered during the replacement of the RH engine combustion liner is less than US\$0.1 million, Textron will pay to CPDL the difference between the cost of repairs or replacement of the airworthiness discrepancies.

The trade-in of aircrafts in 2019 resulted to a gain of ₱40.0 million (see Note 31).

r. Other Agreements

*Joint Undertaking with National Commission for Indigenous Peoples (NCIP)*

On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that 1% royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a MOA dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

*Agreement with Local Government Units*

RTN together with RTN Foundation, Inc. and CBNC entered into Agreements with the barangay councils and community residents covered in the SDMP as required by law and as one of the conditions of ECC. The Agreement stipulated that RTN and CBNC should meet the changing needs and demands of the communities and shall submit the SDMP every five (5) years to the MGB Region IV for approval. In addition, as part of the process of securing the consent of affected communities, the program must be prepared in consultation and in partnership with the project proponent and neighboring communities. On January 7, 2014, SDMP No. MGB-IVB-2013-003 III was approved by the MGB covering the period of five (5) years from 2014 to 2018.

RTN incurred royalty payments to indigenous people amounting to ₱46.8 million in 2020, ₱32.6 million in 2019 and ₱44.0 million in 2018, in accordance with the SDMP.

*Suretyship Agreement with SBC*

On August 4, 2015, the Parent Company entered into a Suretyship Agreement with SBC to guarantee and warrant the prompt and full payment and performance of the guaranteed obligations, including increases, renewals, roll-overs, extensions, restructuring, conversions, amendments or novations, of EPI to SBC amounting to ₱3,000.0 million. The agreement shall remain in full force and effect until full payment of the guaranteed obligations is made.

In September 2017, EPI partially repaid its loan to SBC reducing the principal from ₱3,000.0 million to ₱1,500.0 million. At maturity, the remaining balance of the loan of ₱1,500.0 million was renewed by EPI for another year which was approved on September 29, 2020 (see Note 15).



#### *MOA with DOE*

On December 3, 2014, the Parent Company and DOE agreed in accordance with RA No. 9136 or the EPIRA of 2001 which requires all energy generation companies and/or energy resource developers to provide financial benefits equivalent to ₱0.01/ kWh of the total electricity sales of the generation facility to its customer/off-taker to the region, province, city or municipality and barangay that host the generation facility, and to establish the corresponding trust accounts which should be administered by the DOE. The ₱0.01 financial benefits shall be allocated as follows: ₱0.005/kWh for Electrification Fund, ₱0.0025/kWh for Development and Livelihood Fund and ₱0.0025/kWh for Reforestation, Watershed Management, Health and/or Environment Enhancement Fund.

#### *Construction and Commissioning Contract*

On February 7, 2020, JSI entered into a construction and commissioning contract with Jamjle Properties (Subic) and Development Corp. (JPDC) for 30MW (Phase III-A) of the Sta Rita Solar Power Project. The scope of the service agreement between JSI and JPDC covers the design review, civil works, installation, commissioning and testing, customs clearance, logistics and storage, security, engineering vehicle, extension of control building (including design and material supply) in relation to the Phase III-A of the Sta. Rita Solar Power Project.

#### *Offshore Contract*

JSI entered into an offshore contract with TBEA for the procurement of equipment for the 30MW (Phase III-A) of Sta. Rita Solar Power Project. The scope of service agreement between JSI and TBEA covers the engineering, detailed design, procurement, delivery, construction/erection, start-up testing and commissioning, on-site plant personnel classroom and hands-on training on plant operations and maintenance, maintenance and upkeep prior to turn-over, and the supply of relevant spare parts for major plant equipment.

#### Other Matters

- Updates in the Philippine Mining Industry

In line with the issuance of DENR Memorandum Order No. 2016-01 mandating a comprehensive review of all operating mines and mines under suspended and/or care and maintenance status, and a moratorium on the acceptance, processing and/or approval of mining applications and/or new mining projects for all metallic and non-metallic minerals, an industry-wide audit was carried on since July 2016.

On February 2, 2017, the Secretary of the DENR ordered the closure and suspension of several mines in the country for alleged environmental violations noted during the industry-wide audit.

In light of concerns expressed by various industry stakeholders, the Mineral Industry Coordinating Council (MICC) issued a resolution on February 9, 2017, which called for the review of the audit conducted on mining companies, and the closure and suspension orders by the DENR Secretary. This mandate of the MICC covers all mining contracts in the Philippines, although the review will start with mining companies affected by the closure order. The multi-stakeholder review shall be based on the guidelines and parameters set forth in mining contracts and in other pertinent laws, and will advise the DENR on the performance of existing mining operations in consultation with local government units. Five technical review teams (TRT) will conduct the review over a three (3) month period starting in March 2017. The TRTs will check the compliance of affected mining companies with applicable agreements, and laws and regulations taking into account the technical, legal, social, environmental and economic aspects of their mining operations. The results of the review will be submitted to the multi-stakeholder Technical Working Group (TWG) of the MICC. The TWG will verify the results before the final presentation to the MICC. The MICC will then present the findings and submit its



recommendations to the Office of the President, which shall make the final decision on the DENR's closure and suspension orders. As at March 11, 2021, the MICC review is still ongoing.

On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of seventy five (75) MPSAs considered to be situated in watersheds. Show cause orders were issued to the concerned mining companies, which were given seven (7) days to respond.

On February 13, 2017, HMC received a letter from DENR stating that MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of RA No. 7942 or the "Philippine Mining Act of 1995" as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA.

The Parent Company will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

RTN, TMC and CMC were not included in the list of mining operations recommended for suspension or closure by the DENR.

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

##### *Dividend Declaration*

On March 11, 2021, the Parent Company's BOD declared regular cash dividends of ₱0.09 per share and special cash dividends of ₱0.14 per share to stockholders of record as at March 25, 2021 which will be paid on April 8, 2021.

##### *Ratification by Congress of the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Bill*

On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed CREATE bill, reconciling the disagreeing provisions of Senate Bill No. 1357 and House Bill No. 4157.

The said act aims to:

- Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
- Develop, subject to the provisions of this Act, a more responsive and globally-competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
- Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation's capability for similar circumstances in the future; and
- Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.



The ratified version of the bill will be submitted to the President for his approval and upon receipt of the bill, the President may do any of the following:

- Sign the enrolled bill without vetoing any line or item therein;
- Sign the enrolled bill with line or item veto which veto may be overridden by Congress; or
- Inaction within thirty (30) days from receipt which would result to the automatic approval of the enrolled bill as it is.

Once the ratified bill is signed into law, it is set to take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

The provisions of the bill that will have an impact to the Group are the reduction of RCIT rate starting July 1, 2020 from 30% to 25% and the reduction of MCIT rate from July 1, 2020 to June 30, 2023 from 2% to 1%.

If enacted into law, the 25% RCIT rate and 1% MCIT rate will be applied to the net taxable income and gross income that will decrease the provision for current income tax of the Group.

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#### 42. Supplemental Disclosure to Consolidated Statements of Cash Flows

	2020	2019
<i>Noncash investing activities</i>		
Application of commission and royalties payable, net of withholding taxes and interest, against loan receivable from East Coast (see Notes 5 and 13)	<b>₱262,853</b>	₱179,314
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Notes 9 and 16)	<b>155,884</b>	204,766
Recognition of ROU asset - land, building and leasehold improvements (see Note 9)	<b>10,031</b>	637,005
Donated asset	<b>988</b>	-
Exchange of assets (see Note 40q)	-	303,810
Dation of aircraft against loan receivable (see Note 40a)	-	263,824



*Changes in Liabilities Arising from Financing Activities*

2020						
	January 1	Cash flows	Foreign exchange movement	Reclassification	Others	December 31
<i>Current</i>						
<b>Dividends payable, gross of final withholding tax</b> (see Note 14)	<b>₱641,222</b>	<b>(₱5,731,929)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,790,707</b>	<b>₱700,000</b>
<b>Interest payable</b> (see Note 14)	<b>11,365</b>	<b>(123,810)</b>	<b>(4,703)</b>	<b>-</b>	<b>127,098</b>	<b>9,950</b>
<b>Short-term debts</b> (see Note 15)	<b>1,492,404</b>	<b>(11,047)</b>	<b>-</b>	<b>-</b>	<b>11,297</b>	<b>1,492,654</b>
<b>Other current liability</b>	<b>221,079</b>	<b>40,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>261,691</b>
<b>Current portion of:</b>						
<b>Long-term debts</b> (see Note 15)	<b>88,611</b>	<b>(75,546)</b>	<b>(5,816)</b>	<b>76,790</b>	<b>1</b>	<b>84,040</b>
<b>Lease liabilities</b> (see Note 35)	<b>25,141</b>	<b>(55,149)</b>	<b>-</b>	<b>6,646</b>	<b>54,344</b>	<b>30,982</b>
<b>Long-term payable</b> (see Note 17)	<b>5,000</b>	<b>(5,000)</b>	<b>-</b>	<b>7,000</b>	<b>-</b>	<b>7,000</b>
<i>Noncurrent</i>						
<b>Long-term debts</b> (see Note 15)	<b>930,418</b>	<b>94,976</b>	<b>(55,245)</b>	<b>(76,790)</b>	<b>50</b>	<b>893,409</b>
<b>Lease liabilities</b> (see Note 35)	<b>581,537</b>	<b>-</b>	<b>-</b>	<b>(6,646)</b>	<b>10,031</b>	<b>584,922</b>
<b>Deferred income</b>	<b>50,279</b>	<b>(4,190)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,089</b>
<b>Long-term payable</b> (see Note 17)	<b>12,300</b>	<b>-</b>	<b>-</b>	<b>(7,000)</b>	<b>793</b>	<b>6,093</b>
<b>Total liabilities used in financing activities</b>	<b>₱4,059,356</b>	<b>(₱5,871,083)</b>	<b>(₱65,764)</b>	<b>₱-</b>	<b>₱5,994,321</b>	<b>₱4,116,830</b>
2019						
	January 1	Cash flows	Foreign exchange movement	Reclassification	Others	December 31
<i>Current</i>						
<b>Dividends payable, gross of final withholding tax</b> (see Note 14)	<b>₱742,033</b>	<b>(₱2,212,752)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,111,941</b>	<b>₱641,222</b>
<b>Interest payable</b> (see Note 14)	<b>15,626</b>	<b>(167,256)</b>	<b>(7,388)</b>	<b>-</b>	<b>170,383</b>	<b>11,365</b>
<b>Short-term debts</b> (see Note 15)	<b>1,492,268</b>	<b>(11,097)</b>	<b>-</b>	<b>-</b>	<b>11,233</b>	<b>1,492,404</b>
<b>Current portion of:</b>						
<b>Long-term debts</b> (see Note 15)	<b>118,970</b>	<b>(102,819)</b>	<b>(4,836)</b>	<b>77,296</b>	<b>-</b>	<b>88,611</b>
<b>Lease liabilities</b> (see Note 35)	<b>-</b>	<b>(90,273)</b>	<b>-</b>	<b>60,072</b>	<b>55,342</b>	<b>25,141</b>
<b>Long-term payable</b> (see Note 17)	<b>5,000</b>	<b>(5,000)</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<i>Noncurrent</i>						
<b>Long-term debts</b> (see Note 15)	<b>1,288,562</b>	<b>(231,818)</b>	<b>(50,776)</b>	<b>(77,296)</b>	<b>1,746</b>	<b>930,418</b>
<b>Lease liabilities</b> (see Note 35)	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60,072)</b>	<b>641,609</b>	<b>581,537</b>
<b>Deferred income</b>	<b>54,469</b>	<b>(4,190)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,279</b>
<b>Long-term payable</b> (see Note 17)	<b>16,323</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>	<b>977</b>	<b>12,300</b>
<b>Total liabilities used in financing activities</b>	<b>₱3,733,251</b>	<b>(₱2,825,205)</b>	<b>(₱63,000)</b>	<b>₱-</b>	<b>₱2,993,231</b>	<b>₱3,838,277</b>

Others include the effect of accrual of dividends, including those that were not yet paid at year-end, effect of interest accrued but not yet paid on interest-bearing loans, accretion of interest on long-term payable and lease liabilities and amortization of debt issue cost.



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### 43. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore, limestone and quarry materials.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC, THNC and other parties and leasing of aircraft to WAISC.

The power segment is engaged in power generation and exploration for geothermal resources.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group is also using net income (loss) in evaluating total performance. Net income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company.

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, inventories, financial assets at FVTPL, at FVOCI and at amortized cost, property and equipment, investments in associates and other noncurrent assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables, short-term and long-term debts and other liabilities. Segment assets and liabilities do not include deferred income taxes.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRSs.

There were no changes from prior periods in the measurement methods used to determine the reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.



The Group's identified reportable segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

Financial information on the operation of the various business segments are as follows:

	2020											Eliminations	Total
	Mining					Power		Services					
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others			
External customers	₱1,991,195	₱5,078,125	₱9,106,145	₱4,678,504	₱-	₱124,144	₱164,014	₱629,454	₱-	₱-	₱-	₱-	₱21,771,581
Inter-segment revenues	-	-	-	-	-	-	-	-	-	789,423	-	(789,423)	-
<b>Total revenues</b> (see Notes 34 and 40)	1,991,195	5,078,125	9,106,145	4,678,504	-	124,144	164,014	629,454	-	789,423	-	(789,423)	21,771,581
Cost of sales	1,048,457	1,544,636	2,872,321	2,054,567	-	-	-	-	-	-	-	-	7,519,981
Cost of services	-	-	-	-	-	-	-	328,562	-	-	-	-	328,562
Cost of power generation	-	-	-	-	-	211,818	101,432	-	-	-	-	-	313,250
Excise taxes and royalties	179,208	920,655	910,614	233,925	-	-	-	-	-	-	-	-	2,244,402
Shipping and loading costs	232,748	581,788	1,022,254	276,476	-	-	-	-	9,513	-	-	-	2,122,779
Marketing	-	175,429	32,649	-	-	-	-	-	-	-	-	-	208,078
<b>Segment operating earnings (loss)</b>	<b>₱530,782</b>	<b>₱1,855,617</b>	<b>₱4,268,307</b>	<b>₱2,113,536</b>	<b>₱-</b>	<b>(₱87,674)</b>	<b>₱62,582</b>	<b>₱300,892</b>	<b>(₱9,513)</b>	<b>₱789,423</b>	<b>(₱789,423)</b>	<b>₱9,034,529</b>	
General and administrative	₱84,575	₱57,352	₱106,950	₱96,756	₱129,101	₱60,116	₱-	₱-	₱-	₱582,816	₱-	₱-	₱1,117,666
Finance income	₱1,333	₱28,062	₱22,601	₱16,775	₱32	₱146	₱2,302	₱-	₱-	₱167,042	₱-	₱-	₱238,293
Finance expenses	₱1,748	₱4,668	₱15,894	₱13,191	₱1,973	₱153,027	₱-	₱31,509	₱-	₱52,492	₱-	₱-	₱274,502
Provision for (benefit from) income tax	₱101,026	₱473,458	₱1,137,649	₱592,949	(₱39,059)	(₱949)	₱-	₱-	(₱2,854)	₱56,630	₱-	₱-	₱2,318,850
<b>Net income (loss) attributable to equity holders of the parent</b>	<b>₱345,649</b>	<b>₱1,298,806</b>	<b>₱2,069,800</b>	<b>₱1,014,064</b>	<b>(₱91,980)</b>	<b>(₱256,237)</b>	<b>₱64,888</b>	<b>₱-</b>	<b>₱-</b>	<b>(₱376,258)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,068,732</b>
Segment assets	₱1,582,753	₱2,870,615	₱10,241,256	₱4,988,713	₱1,353,208	₱12,643,376	₱852,992	₱-	₱38,958	₱13,734,155	₱-	₱-	₱48,306,026
Deferred income tax assets - net	52,232	47,420	64,436	188,983	88,256	364	-	-	-	165,573	-	-	607,264
<b>Total assets</b>	<b>₱1,634,985</b>	<b>₱2,918,035</b>	<b>₱10,305,692</b>	<b>₱5,177,696</b>	<b>₱1,441,464</b>	<b>₱12,643,740</b>	<b>₱852,992</b>	<b>₱-</b>	<b>₱38,958</b>	<b>₱13,899,728</b>	<b>₱-</b>	<b>₱-</b>	<b>₱48,913,290</b>
Segment liabilities	₱280,715	₱547,605	₱3,027,714	₱1,693,564	₱167,733	₱7,600,393	₱7,547	₱-	₱-	₱490,031	₱-	₱-	₱13,815,302
Deferred income tax liabilities - net	-	-	-	132,938	164,105	98,732	-	-	11,853	93,571	-	-	501,199
<b>Total liabilities</b>	<b>₱280,715</b>	<b>₱547,605</b>	<b>₱3,027,714</b>	<b>₱1,826,502</b>	<b>₱331,838</b>	<b>₱7,699,125</b>	<b>₱7,547</b>	<b>₱-</b>	<b>₱11,853</b>	<b>₱583,602</b>	<b>₱-</b>	<b>₱-</b>	<b>₱14,316,501</b>
<i>Other segment information:</i>													
Capital expenditures	₱87,688	₱110,263	₱498,191	₱445,251	₱9,841	₱967,453	₱3,330	₱-	₱-	₱10,831	₱-	₱-	₱2,132,848
Depreciation, amortization and depletion	₱145,621	₱176,627	₱593,715	₱184,958	₱45,390	₱161,443	₱57,178	₱-	₱9,513	₱70,815	₱-	₱-	₱1,445,260



	2019											
	Mining					Power		Services			Eliminations	Total
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others		
External customers	₱1,710,882	₱3,639,129	₱8,239,455	₱3,259,849	₱-	₱235,557	₱156,694	₱681,728	₱-	₱-	₱-	₱17,923,294
Inter-segment revenues	-	-	-	-	-	-	-	-	6,905	623,372	(630,277)	-
Total revenues (see Notes 34 and 40)	1,710,882	3,639,129	8,239,455	3,259,849	-	235,557	156,694	681,728	6,905	623,372	(630,277)	17,923,294
Cost of sales	833,501	1,380,403	3,043,958	1,848,008	-	-	-	-	-	-	-	7,105,870
Cost of 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
<b>Segment operating earnings (loss)</b>	<b>₱490,821</b>	<b>₱974,890</b>	<b>₱3,501,878</b>	<b>₱1,073,999</b>	<b>₱-</b>	<b>(₱25,515)</b>	<b>₱40,299</b>	<b>₱349,909</b>	<b>(₱2,608)</b>	<b>₱623,372</b>	<b>(₱630,277)</b>	<b>₱6,396,768</b>
General and administrative	₱104,543	₱57,647	₱108,998	₱96,443	₱148,747	₱96,190	₱-	₱-	₱-	₱543,416	₱-	₱1,155,984
Finance income	₱3,858	₱35,782	₱61,036	₱37,900	₱31	₱190	₱3,411	₱-	₱-	₱263,390	₱-	₱405,598
Finance expenses	₱3,553	₱6,057	₱15,816	₱13,723	₱2,437	₱180,979	₱-	₱49,581	₱-	₱71,509	₱-	₱343,655
Provision for (benefit from) income tax	₱98,961	₱233,654	₱990,870	₱303,804	(₱7,572)	(₱14,313)	₱-	₱-	(₱2,854)	₱52,956	₱-	₱1,655,506
Net income (loss) attributable to equity holders of the parent	₱281,948	₱686,503	₱1,973,658	₱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
<b>Total assets</b>	<b>₱1,626,299</b>	<b>₱3,157,254</b>	<b>₱11,230,268</b>	<b>₱4,139,213</b>	<b>₱1,402,248</b>	<b>₱11,606,054</b>	<b>₱1,009,087</b>	<b>₱-</b>	<b>₱48,764</b>	<b>₱14,042,766</b>	<b>₱-</b>	<b>₱48,261,953</b>
Segment liabilities	₱202,256	₱375,757	₱2,821,431	₱937,089	₱102,624	₱7,461,404	₱9,243	₱-	₱-	₱472,122	₱-	₱12,381,926
Deferred income tax liabilities	2,974	7,824	111,296	171,717	184,867	102,246	-	-	14,707	153,135	-	748,766
<b>Total liabilities</b>	<b>₱205,230</b>	<b>₱383,581</b>	<b>₱2,932,727</b>	<b>₱1,108,806</b>	<b>₱287,491</b>	<b>₱7,563,650</b>	<b>₱9,243</b>	<b>₱-</b>	<b>₱14,707</b>	<b>₱625,257</b>	<b>₱-</b>	<b>₱13,130,692</b>
<i>Other segment information:</i>												
Capital expenditures	₱104,037	₱211,762	₱426,525	₱113,717	₱70,535	₱128,608	₱3,871	₱-	₱-	₱196,468	₱-	₱1,255,523
Depreciation, amortization and depletion	₱175,130	₱182,632	₱583,756	₱170,666	₱37,419	₱160,771	₱55,823	₱-	₱9,513	₱28,655	₱-	₱1,404,365





	2018											
	Mining					Power		Services			Eliminations	Total
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others		
External customers	₱2,181,053	₱3,300,103	₱7,862,910	₱4,397,494	₱-	₱239,934	₱38,473	₱627,705	₱-	₱-	₱-	₱18,647,672
Inter-segment revenues	-	-	-	-	-	-	-	-	1,537	649,996	(651,533)	-
Total revenues (see Notes 34 and 40)	2,181,053	3,300,103	7,862,910	4,397,494	-	239,934	38,473	627,705	1,537	649,996	(651,533)	18,647,672
Cost of sales	1,010,158	1,093,753	2,526,732	2,140,310	-	-	-	-	-	-	-	6,770,953
Cost of services	-	-	-	-	-	-	-	317,542	716	-	-	318,258
Cost of power generation	-	-	-	-	-	299,399	61,223	-	-	-	-	360,622
Excise taxes and royalties	196,295	601,568	786,291	219,875	-	-	-	-	-	-	-	1,804,029
Shipping and loading costs	402,514	437,154	792,766	307,542	-	-	-	-	9,513	-	-	1,949,489
Marketing	8,836	115,340	16,034	-	-	-	-	-	-	-	-	140,210
<b>Segment operating earnings (loss)</b>	<b>₱563,250</b>	<b>₱1,052,288</b>	<b>₱3,741,087</b>	<b>₱1,729,767</b>	<b>₱-</b>	<b>(₱59,465)</b>	<b>(₱22,750)</b>	<b>₱310,163</b>	<b>(₱8,692)</b>	<b>₱649,996</b>	<b>(₱651,533)</b>	<b>₱7,304,111</b>
General and administrative	₱96,840	₱59,550	₱157,286	₱103,751	₱124,825	₱129,164	₱21,358	₱-	₱-	₱520,267	₱-	₱1,213,041
Finance income	₱2,464	₱30,855	₱43,390	₱35,571	₱42	₱158	₱932	₱-	₱-	₱241,391	₱-	₱354,803
Finance expenses	₱1,557	₱3,986	₱13,394	₱10,636	₱1,996	₱94,360	₱7,363	₱51,633	₱-	₱60,700	₱-	₱245,625
Provision for (benefit from) income tax	₱111,470	₱273,625	₱1,075,478	₱504,516	(₱19,091)	₱948	₱-	₱-	(₱2,854)	₱164,383	₱-	₱2,108,475
Net income (loss) attributable to equity holders of the parent	₱361,939	₱741,589	₱1,925,292	₱885,420	(₱112,659)	(₱715,206)	(₱50,539)	₱-	₱-	(₱27,779)	₱-	₱3,008,057
Segment assets	₱1,416,556	₱2,544,814	₱10,337,287	₱4,595,027	₱1,225,473	₱11,117,239	₱933,496	₱-	₱48,091	₱13,478,573	₱-	₱45,696,556
Deferred income tax assets	42,796	35,662	75,235	80,182	55,076	-	-	-	-	47,000	-	335,951
<b>Total assets</b>	<b>₱1,459,352</b>	<b>₱2,580,476</b>	<b>₱10,412,522</b>	<b>₱4,675,209</b>	<b>₱1,280,549</b>	<b>₱11,117,239</b>	<b>₱933,496</b>	<b>₱-</b>	<b>₱48,091</b>	<b>₱13,525,573</b>	<b>₱-</b>	<b>₱46,032,507</b>
Segment liabilities	₱235,508	₱337,815	₱2,412,939	₱1,092,732	₱89,563	₱7,265,872	₱4,599	₱-	₱-	₱388,548	₱-	₱11,827,576
Deferred income tax liabilities - net	5,125	5,051	60,429	156,285	177,556	113,652	-	-	17,561	218,442	-	754,101
<b>Total liabilities</b>	<b>₱240,633</b>	<b>₱342,866</b>	<b>₱2,473,368</b>	<b>₱1,249,017</b>	<b>₱267,119</b>	<b>₱7,379,524</b>	<b>₱4,599</b>	<b>₱-</b>	<b>₱17,561</b>	<b>₱606,990</b>	<b>₱-</b>	<b>₱12,581,677</b>
<i>Other segment information:</i>												
Capital expenditures	₱133,335	₱241,995	₱377,934	₱249,129	₱74,197	₱28,462	₱5,644	₱-	₱-	₱33,573	₱-	₱1,144,269
Depreciation, amortization and depletion	₱216,659	₱175,878	₱571,062	₱149,981	₱24,609	₱157,734	₱30,858	₱-	₱9,513	₱19,295	₱-	₱1,355,589

Inter-segment revenues are eliminated upon consolidation.



The Group has revenues from external customers as follows:

Country of Domicile	2020	2019	2018
China	<b>₱15,832,093</b>	₱10,845,464	₱10,899,779
Local	<b>5,045,212</b>	5,208,949	5,449,781
Japan	<b>894,276</b>	1,868,881	2,298,112
	<b>₱21,771,581</b>	₱17,923,294	₱18,647,672

The revenue information above is based on the location of the customer. The local customers include CBNC and THNC, which are PEZA-registered entities.

Revenue from two (2) key customers for the sale of ores amounted to ₱14,899.3 million, ₱9,806.9 million and ₱10,817.3 million in 2020, 2019 and 2018, respectively.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Nickel Asia Corporation and Subsidiaries  
28th Floor NAC Tower, 32nd Street  
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 11, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules<sup>i</sup> are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario  
Partner  
CPA Certificate No. 56915  
SEC Accreditation No. 0076-AR-5 (Group A),  
April 30, 2019, valid until April 29, 2022  
Tax Identification No. 102-096-009  
BIR Accreditation No. 08-001998-072-2020,  
November 27, 2020, valid until November 27, 2023  
PTR No. 8534239, January 4, 2021, Makati City

March 11, 2021

<sup>i</sup> This includes:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsiidiaries, associates, wherever located or registered
- Supplementary schedules required by Annex 68-J:
  - Financial assets
  - Amounts receivable from directors, officers, employees, related parties, and principal stockholder (other than related parties)
  - Amounts of receivable from related parties which are eliminated during the consolidation of financial statements
  - Long-term debt
  - Indebtedness to related parties
  - Guarantees of securities of other issuers
  - Capital stock



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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	<u><b>Schedule</b></u>
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Supplementary Schedules under Annex 68 - J	II
A. Financial Assets	
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	
C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements	
D. Intangible Assets - Other Assets	
E. Long-Term Debts	
F. Indebtedness to Affiliates and Related Parties (Short-term and Long-Term Debts with Related Companies)	
G. Guarantees of Securities of Other Issuers	
H. Capital Stock	
A Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries, Co-Subsidiaries and Associates	III
Schedule Showing Financial Soundness	IV

## SCHEDULE I

### **NICKEL ASIA CORPORATION RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2020**

Unappropriated retained earnings as at December 31, 2019, <i>as adjusted to available for dividend distribution</i>	₱12,246,355
<u>Add: Net income actually earned/realized during the period</u>	
Net income during the period closed to retained earnings	4,827,898
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gains - net, except those attributable to cash and cash equivalents	43,425
Fair value adjustments	<u>(97,287)</u>
<u>Net income actually earned during the period</u>	4,774,036
Less:	
Dividend declarations during the period	(4,089,929)
Reversal of appropriations	1,365,000
Treasury stock	<u>(134,014)</u>
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION AS AT DECEMBER 31, 2020</b>	<b><u>₱14,161,448</u></b>

**SCHEDULE II**

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule A. Financial Assets  
December 31, 2020**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
Cash on hand and with banks	N/A	P2,034,084	P2,034,084	
Cash under managed funds	N/A	1,634,697	1,634,697	P85,722
Short-term cash investments	N/A	8,166,420	8,166,420	
<b>Cash and cash equivalents</b>		<b>P11,835,201</b>	<b>P11,835,201</b>	<b>P85,722</b>
Trade	N/A	P991,821	P991,821	P-
Current portion of loan receivable	N/A	255,411	255,411	10,301
Interest receivable	N/A	24,150	24,150	-
Amounts owed by related parties	N/A	2,960	2,960	-
Others	N/A	134,129	134,129	-
<b>Trade and other receivables</b>		<b>P1,408,471</b>	<b>P1,408,471</b>	<b>P10,301</b>
Manila Golf and Country Club	1 share	P75,000	P75,000	P-
Wack-Wack Golf and Country Club	1 share	34,000	34,000	-
Keyland Ayala Properties Inc. (formerly Security Land Corporation)	3,056,198 shares	484,831	484,831	15,281
NiHao Mineral Resources International, Inc.	101,000,000 shares	305,020	305,020	-
PLDT Inc.	25,000 shares	33,500	33,500	1,925
Eurasian Consolidated Minerals Pty. Ltd.	15,949,298 shares	10,852	10,852	-
Security Bank Corporation	58,027 shares	7,776	7,776	100
ATR Kim Eng Capital Partners, Inc. - Equity Opportunity Fund	25,479,005 units	79,836	79,836	-
Security Bank Corporation - Money Market Fund	39,796,443 units	56,630	56,630	-
ATR Kim Eng Capital Partners, Inc. - Alpha Opportunity Fund	14,541,224 units	19,096	19,096	-
BPI Asset Management - Money Market Fund	50,599 units	13,180	13,180	-
BDO Institutional Cash Reserve Fund	9,264 units	1,137	1,137	-

(Forward)

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**Schedule A. Financial Assets**  
**December 31, 2020**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
JP Morgan Chase & Co. - debt and equity securities	various	₱1,611,270	₱1,611,270	₱-
DBS Private Bank - debt and equity securities	various	473,257	473,257	18,034
UBS Group AG - debt and equity securities	various	198,323	198,323	181
BPI Asset Management - debt securities	various	136,846	136,846	948
Security Bank Corporation - equity securities	various	113,786	113,786	1,716
Maybank ATR Kim Eng Capital Partners, Inc. - debt and equity securities	various	88,099	88,099	816
BDO Unibank, Inc. - debt and equity securities	various	11,009	11,009	125
Credit Suisse AG - debt and equity securities	-	-	-	6,245
Philam Asset Management Inc. - equity securities	-	-	-	43
<b>Financial assets at FVTPL</b>		<b>₱3,753,448</b>	<b>₱3,753,448</b>	<b>₱45,414</b>
BPI Asset Management - debt securities	various	₱1,103,626	₱1,103,626	₱39,527
BDO Unibank, Inc. - debt securities	various	720,038	720,038	32,730
Maybank ATR Kim Eng Capital Partners, Inc. - debt securities	various	437,601	437,601	11,113
DBS Private Bank - debt securities	various	136,716	136,716	7,769
Security Bank Corporation - debt securities	various	87,579	87,579	3,229
UBS Group AG - debt securities	various	63,200	63,200	536
Credit Suisse AG - debt securities	various	-	-	5,637
<b>Financial assets at FVOCI</b>		<b>₱2,548,760</b>	<b>₱2,548,760</b>	<b>₱100,541</b>

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**Schedule A. Financial Assets**  
**December 31, 2020**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
Retail Treasury Bond	₱80,000	₱80,000	₱80,000	₱2,947
Security Bank Corporation	₱50,000	50,000	50,000	2,350
Ayala Land, Inc.	₱25,000	25,000	25,000	2,204
SM Prime Holdings, Inc.	₱25,000	25,000	25,000	1,034
PLDT Inc.	₱20,000	20,000	20,000	836
DoubleDragon Properties Corporation	₱10,000	10,000	10,000	487
Aboitiz Equity Ventures, Inc.	-	-	-	1,574
Philam Asset Management Inc. - debt securities	-	-	-	312
Globe Telecom Inc.	-	-	-	214
<b>Financial assets at amortized cost</b>		<b>₱210,000</b>	<b>₱210,000</b>	<b>₱11,958</b>
Loan receivable - net of current portion	N/A	₱305,525	₱305,525	₱12,092
Long-term negotiable instruments - net of current portion	N/A	40,000	40,000	1,390
<b>Other noncurrent assets</b>		<b>₱345,525</b>	<b>₱345,525</b>	<b>₱13,482</b>
<b>Total</b>		<b>₱20,101,405</b>	<b>₱20,101,405</b>	<b>₱267,418</b>



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)  
December 31, 2020**

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Noncurrent	Ending Balance
			Amount Collected	Amount Written- Off			
There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business, and eliminated in consolidation.							
<hr/> <hr/> <hr/>							

## NICKEL ASIA CORPORATION

### Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements December 31, 2020

Name of Subsidiary	Balance At January 1, 2020	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
<i>In Thousands</i>								
Dinapigue Mining Corporation	₱985,406	₱86,598	(₱177)	(₱209,232)	₱-	₱862,595	₱-	₱862,595
Coral Pearl Developments Limited	24,396	1,625	(224)	(951)	-	24,846	-	24,846
Cordillera Exploration Co., Inc.	7,001	178	-	-	-	7,179	-	7,179
Rio Tuba Nickel Mining Corporation	3,578	3,239	(6,036)	-	-	781	-	781
Taganito Mining Corporation	524	3,094	(2,929)	-	-	689	-	689
Cagdianao Mining Corporation	557	3,877	(3,761)	-	-	673	-	673
Hinatuan Mining Corporation	(2,370)	5,852	(3,096)	-	-	386	-	386
CDTN Services Company Inc.	-	203	-	-	-	203	-	203
Emerging Power Inc.	3	334	(320)	-	-	17	-	17
Jobin-SQM, Inc.	1	47	(42)	-	-	6	-	6
	₱1,019,096	₱105,047	(₱16,585)	(₱210,183)	₱-	₱897,375	₱-	₱897,375

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule D. Intangible Assets - Other Assets  
December 31, 2020**

Description	January 1, 2020	Additions At Cost	Deductions		Other Changes - Additions (Deductions)	December 31, 2020
			Charged to Costs and Expenses	Charged to Other Accounts		
<i>In Thousands</i>						
Geothermal exploration and evaluation assets <sup>(a)</sup>	₱1,811,711	₱8,148	₱-	₱-	₱-	₱1,819,859
<i>Other Noncurrent Assets</i> <sup>(b)</sup>						
Deferred mine exploration costs	1,313,546	34,969	-	-	-	1,348,515
Project development costs	102,387	19,394	(3,494)	-	-	118,287
Computer software - net	28,889	20,928	(13,738)	-	-	36,079
	<b>₱3,256,533</b>	<b>₱83,439</b>	<b>(₱17,232)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱3,322,740</b>

(a) Disclosed in Note 11 to the Consolidated Financial Statements

(b) Disclosed in Note 13 to the Consolidated Financial Statements

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### Schedule E. Long-term Debts December 31, 2020

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
<i>In Thousands</i>				
<i>Long-term Debts</i>				
Taganito HPAL Nickel Corporation	P-	P84,040	P798,383	A
TBEA International Engineering Co., Ltd.	-	-	95,026	B
<i>Deferred Income</i>				
Taganito HPAL Nickel Corporation	-	4,466	46,089	C
<b>Total</b>	<b>P-</b>	<b>P88,506</b>	<b>P939,498</b>	

Remarks:

- A. Interest rate is based on prevailing 180-day LIBOR plus 2.00% spread; principal is payable in semi-annual installments of US\$875,000, payable in April and October until April 10, 2031.
- B. Interest rate is at 5.00% p.a.; principal is payable at maturity or on June 17, 2025.
- C. The obligation is covered by a Lease Agreement with THNC.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**

**Schedule F. Indebtedness to Affiliates and Related Parties (Short-term and Long-term Debts  
with Related Companies)**

**December 31, 2020**

Name of Affiliate	January 1, 2020	December 31, 2020
	<i>In Thousands</i>	
<i>Long-term Debts</i>		
Taganito HPAL Nickel Corporation	₱1,019,029	₱882,423
TBEA International Engineering Co., Ltd.	–	95,026
<i>Deferred Income</i>		
Taganito HPAL Nickel Corporation	54,751	50,555
	₱1,073,780	₱1,028,004

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**December 31, 2020**

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
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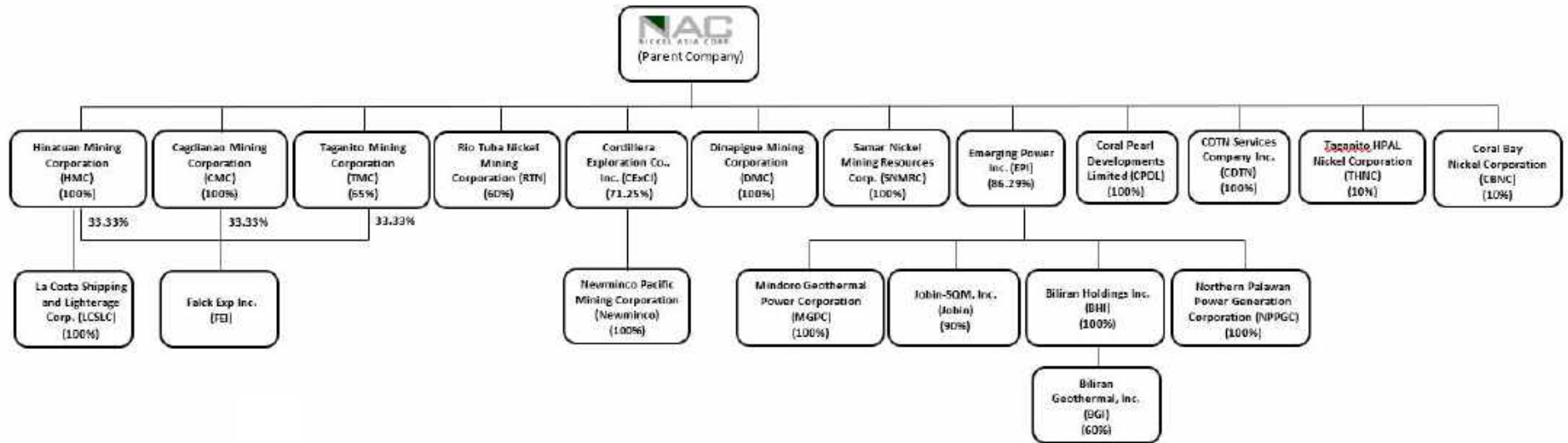
- Not applicable-

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****Schedule H. Capital Stock  
December 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	19,265,000,000	13,630,850,117	498,976,792	8,974,087,114	81,702,834	4,575,060,169
Preferred Stock	720,000,000	720,000,000	–	720,000,000	–	–

## SCHEDULE III

### NICKEL ASIA CORPORATION AND SUBSIDIARIES A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES DECEMBER 31, 2020



Note: There is no pyramid ownership structure and/or cross holding structure.



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Nickel Asia Corporation and Subsidiaries  
28th Floor NAC Tower, 32nd Street  
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 11, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario  
Partner  
CPA Certificate No. 56915  
SEC Accreditation No. 0076-AR-5 (Group A),  
April 30, 2019, valid until April 29, 2022  
Tax Identification No. 102-096-009  
BIR Accreditation No. 08-001998-072-2020,  
November 27, 2020, valid until November 27, 2023  
PTR No. 8534239, January 4, 2021, Makati City

March 11, 2021



## SCHEDULE IV

### NICKEL ASIA CORPORATION AND SUBSIDIARIES SCHEDULE SHOWING FINANCIAL SOUNDNESS DECEMBER 31, 2020

	2020	2019
A. <i>Liquidity ratios</i>		
Current ratio	<b>2.01</b>	2.22
Quick ratio	<b>1.72</b>	1.78
Solvency ratio	<b>3.42</b>	3.68
B. <i>Financial leverage ratios</i>		
Debt ratio	<b>0.29</b>	0.27
Debt-to-equity ratio	<b>0.41</b>	0.37
Asset-to-equity ratios	<b>1.41</b>	1.37
Interest coverage	<b>35.32</b>	20.62
C. <i>Profitability ratios</i>		
Net profit margin	<b>0.25</b>	0.21
Return on assets	<b>0.11</b>	0.08
Return on equity	<b>0.16</b>	0.11
Gross profit margin	<b>0.63</b>	0.57
Price/earnings ratio	<b>18.67</b>	16.95

## Nickel Asia Corporation Annex A: Reporting Template

### Contextual Information

Company Details	
Name of Organization	Nickel Asia Corporation and Subsidiaries
Location of Headquarters	28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
Location of Operations	Bataraza, Palawan Tagana-an, Surigao del Norte Claver, Surigao Dinagat Islands
Report Boundary: Legal entities included in this report	Rio Tuba Nickel Mining Corporation (RTN) Taganito Mining Corporation (TMC) Cagdianao Mining Corporation (CMC) Hinatuan Mining Corporation (HMC)
Business Model, including Primary Activities, Brands, Products, and Services	Production of lateritic nickel ore
Reporting Period	January 1, 2020 to December 31, 2020
Highest Ranking Person responsible for this report	Mr. Martin Antonio G. Zamora Chief Executive Officer, Nickel Asia Corporation

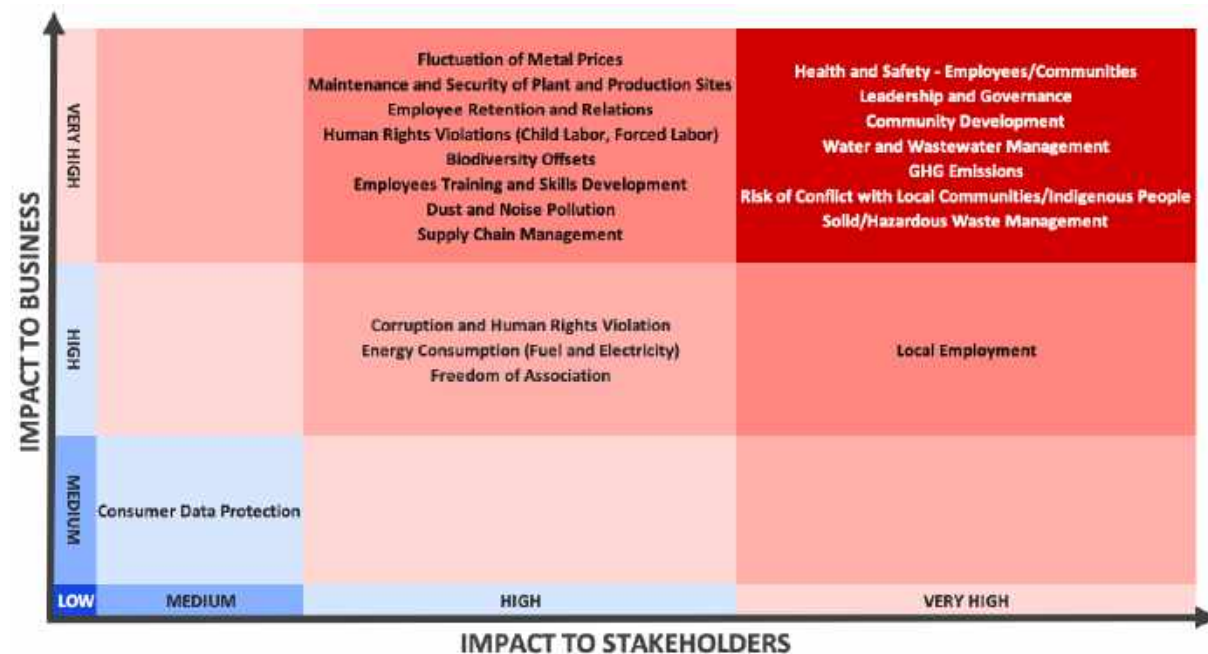
## Materiality Process

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.<sup>14</sup>**

As the Company continuously monitors and reports on our Sustainability progress, consultations and engagement with stakeholders are conducted to keep a pulse on issues that really matter to them.

Guided by the principles of materiality promulgated by the GRI standards, NAC maintained GRI's prescribed five-stage process to identify our most material sustainability topics, and assessed them based on their level of criticality. This ensures our practice of sustainability reporting remains meaningful for our stakeholders, maintaining the quality of our reporting and helping to keep our programs effective and relevant.

For 2020, the top three material topics that emerged from our stakeholders were: Health and Safety for Employees and Communities, Solid and Hazardous Waste Management, and Community Development. This result reflects the health and safety concerns of our stakeholders given the continuous impact of the COVID-19 global pandemic on the country, and its people and communities. Moreover, the environment's health was also high on the priority list, as the management of solid and hazardous waste, water, and emissions remain important to our stakeholders. Lastly, community development was also identified as material topic, as community engagement and human rights protection remain of great importance.



## Report Boundaries

Nickel Asia Corporation (NAC) has been reporting annually on the progress of its Sustainability initiatives and programs since 2012. The Company shares the yearly performance of its operating mines, namely Rio Tuba Nickel Mining Corporation (RTN), Taganito Mining Corporation (TMC), Hinatuan Mining Corporation (HMC), and Cagdianao Mining Corporation (CMC).

Covering the calendar year 2020, this report was prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, guided by its globally-recognized framework for sustainability reporting, in order to consistently track performance and impact in terms of economic, environmental, and social metrics.

## Performance Highlights

<b>ECONOMIC</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
1. Shareholding Percentage (%)	60%	65%	100%	100%
2. Financial Highlights (Million PhP)				
Direct revenue generated	4,918.44	9,529.29	1,991.19	5,078.12
Costs and Expenses	2,872.31	2,306.58	591.39	1,547.40
Total Assets	4,792.97	10,290.80	1,660.58	2,897.56
Taxes, licenses, and fees paid	1,116.95	2,578.07	331.89	1,665.71
Employee Compensation & Benefits	705.5	601.19	173.93	174.44
Dividends to stockholders	1,280	3,400	330	1,100
Payments to suppliers	1,571.37	3,937.01	739.85	2,205.28
3. Amount of ore sold (Thousand WMT)	5,010.63	8,523.41	1,680.45	2,992.87

<b>ENVIRONMENTAL</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
1. Total spending on environmental protection and enhancement program (EPEP) (PhP)	66,561,770	152,978,154	81,285,823	54,983,552
2. Rehabilitation efforts (has.)				
Number of hectares rehabilitated	7.7	30.08 <sup>[a]</sup>	48.45 <sup>[a]</sup>	5.31
Number of seedlings planted in rehabilitation area	42,153	75,950	91,954	101,889
3. Reforestation efforts				
Number of hectares reforested within Mineral Production Sharing Agreement (MPSA) area (has.)	0 <sup>[b]</sup>	12.9	39.1	10.14
Number of hectares reforested outside MPSA area (has.)	0 <sup>[b]</sup>	2.77	5.19	58.53
Number of seedlings planted within MPSA area	84,984	23,698	52,675	18,625
Number of seedlings planted outside MPSA area	14,912 <sup>[b]</sup>	27,704	20,575	39,859
4. Pollution control				
Consumption of energy (MWh)	2,082,500	2,896,429	725,505	1,216,410

Total fuel consumption - generator sets (liters)	90,619	133,987	197,380	530,552
Total fuel consumption – vehicles (liters)	9,759,133	14,520,524	2,952,441 <sup>[c]</sup>	7,522,856
Total Greenhouse Gas (GHG) emissions (TCO2e)	27,483.08	38,176.66	10,368.40	21,313.00
<b>5. Waste management</b>				
Amount of solid waste disposed (kgs)	381,790	59,523	45,670	50,604
Volume of used oil (liters)	62,100	112,600	38,083	59,202
<b>6. Watershed management</b>				
Volume of silt collected (WMT)	14,136	345,254	100,380	73,394
Volume of water consumption (cubic meters)	1,147,603	157,262	54,403	62,891
Volume of water discharge (cubic meters)	10,407,486	35,861,046,919	39,324	60,957
<b>7. Land use</b>				
Disturbed (has.)	1,251.06	908.66	21.18	207.19
Rehabilitated (has.)	7.7	30.08	48.45	51.21
Other use (has.) <sup>[d]</sup>	1,183.03	501.8	100.99	438.65

<b>SOCIAL</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>
<b>1. Employees</b>				
Number of employees	1,023	1,027	264	373
Number of people indirectly employed (through contractors)	769	2,902	199	1,471
Number of employees from local communities	643	571	253	229
Percentage of employees under collective bargaining agreement (CBA)	80%	59%	45%	37%
Average training hours/employee	28.4	20.4	43.3	0.3
<b>2. Health and Safety</b>				
Number of employees in health and safety committee	38	41	28	46
Total man hours	5,356,949	7,338,671	3,273,327	4,290,200
Incidence rate	0	31.75	8.47	8.31
Total lost days	0	6000	0	0
<b>3. Communities</b>				
Total spend on Social Development and Management Program (SDMP) (Million PhP)	35,547,784.15	85,268,932.77	24,786,653.34	44,782,152.56
Population of neighboring communities	89,127	18,249 <sup>[e]</sup>	22,359	5,151
Number of Indigenous People communities residing near the mine site	21,075	714	N/A	N/A
<b>4. Social Development Focus Area (SDMP + Corporate Social Responsibility)</b>				
<b>I. Education</b>				
Scholars supported	302	403	1,287	1,254
<b>II. Health</b>				
Number of patients/cases treated in hospital	6,809 <sup>[f]</sup>	0 <sup>[g]</sup>	N/A	10
Number of patients that benefited from medical	N/A	0	1530	N/A

mission				
Families assisted during and after calamities	N/A	0 <sup>[h]</sup>	N/A	1,315
Admitted/confined patients	1,252	0	N/A	752
<b>III. COVID-19 Response</b>				
Amount spent on medical supplies and equipment for COVID-19 response (Million PhP)	0	6,406,356.50	5,487,983.90	1,847,465.00
Number of hospitals assisted	0	0	11	1
Amount spent on relief goods (Million PhP)	12,679,618	12,371,452	10,181,502	9,225,232
Number of families helped	53,363	173,091	27,015	1,500
<b>IV. Infrastructure</b>				
Length of roads constructed/improved (km)	0.15	0.4	N/A	19.2
Amount spent on road construction (Million PhP)	100,000	2,770,000	N/A	5,000,000
Amount spent on other infrastructure projects (Million PhP)	6,203,919	10,031,383	2,361,523	6,677,898
<b>V. Livelihood</b>				
Peoples' Organizations that were provided financial assistance	15	13	4	15
Members	1,724	326	368	1,106

[a] Figures are based on the mined-out area for this year

[b] 3,911 seedlings were for enrichment planting of previously planted areas, while 11,001 seedlings were donated

[c] Significant decrease due to stoppage of operation on the 2nd quarter of 2020 and early declaration of off season

[d] Mine Operation Infrastructures, Industrial Motor Pool, Mine Stockyard, Siltpond, Beaching Area, and Road Networks included

[e] Increase in number due to Balik-Probinsya Program of the Government and migration due to work

[f] Significant change from 2019 due to GCQ restrictions, emergency cases were only accepted at the hospital

[g] Did not conduct NAC-wide medical mission for 2020

[h] All responses were for COVID-19

## Our Path to Sustainability

NAC's sustainability efforts reflect and recognize the deeply-held values shared between us, our employees and our communities, which include the values of transparency, honesty and integrity.

The global pandemic, which brought the world to a standstill for most of 2020, only further underlined the importance of building a responsible, reliable, and resilient organization that is able to protect its employees, communities, customers, and the environment through programs and processes that are truly sustainable.

Together with like-minded members of the Chamber of Mines of the Philippines (COMP), NAC advocates for the sustainable growth of the country's mining industry through accountable, transparent, and credible mining practices that fully support COMP's Declaration of Commitment to Responsible Minerals Development in the Philippines. NAC's management approach is therefore guided by its five main elements:

- 1) People Orientation
- 2) Protection and enhancement of the environment
- 3) Respect for the rights and welfare of indigenous peoples
- 4) Fair contribution to the National Economy
- 5) Efficient, competitive, and compliant alignment with international standards

**Aligning with the UN Sustainable Development Goals**

Our approach to Sustainability is finely tuned and aligned with the United Nations Sustainable Development Goals (UN SDG) and its vision to shift the world onto a sustainable and resilient path that leaves no one behind. The alignment of our focus with those of the SDGs allowed us to put forward a Sustainability Framework that is true to the Company’s mission and vision:

**SUSTAINABILITY FRAMEWORK**



Pillar	Material Topics	Performance
<b>Good Governance</b>	<ul style="list-style-type: none"> <li>● Leadership and Governance</li> <li>● Fluctuation of Metal Prices</li> <li>● Supply Chain management</li> <li>● Human Rights Violations (Child Labor, Forced Labor)</li> <li>● Consumer Data Protection</li> <li>● Corruption and Human Rights Violation</li> </ul>	SDG 17 - Incidents of corruption - 0 - Incidents of discrimination – 0 - Human Rights violation – 0



<p><b>Welfare of Our Employees</b></p>	<ul style="list-style-type: none"> <li>● Local Employment</li> <li>● Freedom of Association</li> <li>● Employees Training and Skills Development</li> <li>● Employee Retention and Relations</li> </ul>	<p>SDG 4</p> <ul style="list-style-type: none"> <li>- Investment on education programs (PhP) 41,569,186</li> <li>- Total number of scholars – 3,246</li> <li>- Total Training hours for employees – 30,792</li> </ul> <p>SDG 5</p> <ul style="list-style-type: none"> <li>- Number of women in the workforce (%) – 14%</li> <li>- Percentage of women returned to work after parental leave – 96%</li> <li>- Percentage of women in supervisory, managerial positions – 34%</li> </ul> <p>SDG 8</p> <ul style="list-style-type: none"> <li>- Total number of employees – 2,787</li> <li>- Employees under CBA – 1,137</li> <li>- Employees hired from local communities – 1,696</li> </ul> <p>SDG 10</p> <ul style="list-style-type: none"> <li>- Indigenous Peoples hired in the workforce – 102</li> <li>- Indigenous population supported by SDMP – 10,459</li> </ul>
<p><b>Safe Workplace</b></p>	<ul style="list-style-type: none"> <li>● Maintenance and Security of Plant and Production Sites</li> <li>● Health and Safety - Employees</li> </ul>	<p>SDG 3</p> <ul style="list-style-type: none"> <li>- Expenditure on Health &amp; Safety Programs (PhP) – 94,400,137</li> <li>- Number of patients who benefited from medical mission programs – 1,530</li> <li>- Total Safe Manhours – 58,788,060</li> </ul> <p>SDG 8</p> <ul style="list-style-type: none"> <li>- Total number of employees – 2,787</li> <li>- Employees under CBA – 1,137</li> <li>- Employees hired from local communities – 1,696</li> </ul>
<p><b>Empowering Communities</b></p>	<ul style="list-style-type: none"> <li>● Community Development</li> <li>● Health and Safety – Communities</li> <li>● Risk of Conflict with Local Communities/Indigenous People</li> </ul>	<p>SDG 1</p> <ul style="list-style-type: none"> <li>- Total spending on CSR + SDMP (PhP) – 244,331,524</li> <li>- Expenditure on Livelihood Programs (PhP) – 31,721,335</li> <li>- Approximate population of host &amp; neighboring communities (individuals) – 134,886</li> <li>- Number of employees indirectly employed (through contractors) – 5,341</li> </ul> <p>SDG 2</p> <ul style="list-style-type: none"> <li>- Approximate number of participants in Livelihood Programs (individuals) – 3,524</li> <li>- Water quality maintained within standards at all discharge points</li> </ul> <p>SDG 3</p> <ul style="list-style-type: none"> <li>- Expenditure on Health &amp; Safety Programs (PhP) – 94,400,137</li> <li>- Number of patients who benefited from medical mission programs – 1,530</li> <li>- Total Safe Manhours – 58,788,060</li> </ul> <p>SDG 4</p> <ul style="list-style-type: none"> <li>- Investment on education programs (PhP) – 41,569,186</li> <li>- Total number of scholars – 3,246</li> <li>- Total Training hours for employees – 30,792</li> </ul>

		<p>SDG 8</p> <ul style="list-style-type: none"> <li>- Employees hired from local communities – 1,696</li> </ul> <p>SDG 9</p> <ul style="list-style-type: none"> <li>- Expenditure on infrastructure development (Php) – 32,556,825</li> <li>- Number of barangays supported by infrastructure projects – 61</li> </ul> <p>SDG 10</p> <ul style="list-style-type: none"> <li>- Indigenous Peoples hired in the workforce – 102</li> <li>- Indigenous population supported by SDMP – 10,459</li> </ul> <p>SDG 11</p> <ul style="list-style-type: none"> <li>- Recyclable Waste Collected (tons) – 253.8</li> </ul>
<p><b>Protecting the Environment</b></p>	<ul style="list-style-type: none"> <li>● Energy Consumption</li> <li>● Biodiversity Offsets</li> <li>● Water and Wastewater Management</li> <li>● Dust and Noise Pollution</li> <li>● Solid/Hazardous Waste Management</li> <li>● GHG Emissions</li> </ul>	<p>SDG 6</p> <ul style="list-style-type: none"> <li>- Water extracted (cu.m) – 1,422,161</li> <li>- Silt collected (WMT) – 533,164</li> <li>- Water discharged (cu.m) – 35,871,554,686</li> </ul> <p>SDG 12</p> <ul style="list-style-type: none"> <li>- Used oil treated by treatment facility (liters) – 271,985</li> <li>- Hazardous waste treated by treatment facility (kg) – 323,162</li> <li>- Residual waste sent to Landfills (kg) – 118,394</li> <li>- Fuel Consumed (ltrs) – 35,707,492</li> <li>- Electricity Consumed (MWh) – 6,921</li> </ul> <p>SDG 13</p> <ul style="list-style-type: none"> <li>- Assistance to Calamity Victims (Php) – 9,225,232</li> <li>- Investment on EPEP (PhP) – 355,809,300</li> </ul> <p>SDG 14</p> <ul style="list-style-type: none"> <li>- Budget for Water Protection Programs (PhP) – 105,224,832</li> </ul> <p>SDG 15</p> <ul style="list-style-type: none"> <li>- Number of seedlings planted – 594,978</li> <li>- Land area rehabilitated (has.) – 91.54</li> <li>- Land area reforested (has.) – 128.63</li> </ul>

*Engaging with our Stakeholders*

NAC ensures transparent and timely engagement and communication with all our stakeholders, which is a practice that was proven very crucial in 2020, amid the challenges of the pandemic. The Company makes full use of its various communication channels and platforms in order to keep its stakeholders updated and informed of its activities. NAC uses a wide range of tools and platforms such as the corporate website, fora and events, and official report documents when engaging with its stakeholders. It is the policy of the Company to actively create venues for dialogue in order to promote and accelerate its efforts on responsible and sustainable mining.

Stakeholders	Engagement Method	Frequency	Key Concerns	Company's Response
Employees	Employee Engagement programs  COVID-19 Response	As necessary	Focus on work-life balance  Safe workplace during COVID-19 Pandemic	Service Tenure Awards  CSR/Environmental voluntary activities  Work From Home Setup (Head Office)  Salaries were paid even to employees who cannot work from home  Flexible work arrangement was implemented  Shuttle services were provided  Health and Safety protocols were implemented  13th month pay was released early  medicines, PPE, and financial assistance were provided
Communities	SDMP and CSR Programs  Community engagement to prioritize and implement programs  COVID-19 Response	As necessary	Socio-economic development of the communities  Provision of education support  Support to communities during COVID-19	Implementation of SDMP and CSR Programs by Community Relations Team (ComRel)  Realignment of ASDMP funds to assist communities affected  Distribution of medical supplies and PPEs to frontliners  Provision of food packs to communities  Establishment of Molecular Tech Laboratory  Provision of Service Truck and Ambulance

Media	<p>Press release</p> <p>Interviews</p> <p>Official media statements</p> <p>Public advisories</p> <p>Press conferences</p> <p>Site tours</p>	As necessary	<p>Product brief/details</p> <p>Transparency</p> <p>Factual information</p> <p>Timely release of announcement</p>	<p>Availability of spokesperson</p> <p>Media events</p> <p>Press kits</p> <p>Factsheets</p> <p>Market information</p>
LGUs/ Regulators	Annual/Quarterly/Monthly Reports	As necessary	<p>Inaccurate disclosures</p> <p>Non-compliance to standards</p>	<p>Timely &amp; accurate release of reports</p> <p>Strict compliance to regulatory norms</p>
Suppliers	<p>Accreditation Process</p> <p>Annual meetings with security agencies</p>	Once a year	<p>Transparency in accreditation</p> <p>Integrity of bids</p> <p>Timeliness of payments</p>	<p>Clear &amp; transparent accreditation criteria</p> <p>Auditable bidding process</p>
Industry Associates	Regular industry meetings	As scheduled	Sharing of industry standards and best practices	Regular update on the industry outlook and standards
Shareholders/ Investors	<p>Annual Stockholders' meeting</p> <p>General Board Meeting</p> <p>One-on-one investor meeting</p>	<p>Annual</p> <p>Quarterly</p> <p>On Demand</p>	<p>Higher financial returns</p> <p>Minimum risks related to business &amp; expansion</p>	<p>Stable dividends</p> <p>Regular disclosure of financial performance</p>
Partners	Corporate events/forums	As scheduled	<p>Transparency in disclosures</p> <p>Alignment of advocacies</p>	Regular disclosure of overall performance

## Our Sustainability Performance

### Good Governance

#### *Highlights*

18,207.36 thousand WMT of ores sold  
PhP 5.85 billion in taxes paid

The principles of ethics and good governance are embedded in the values that NAC shares with its people. Our capability to create positive impact is operationalized through policies and processes geared towards empowering and enabling people to reach their fullest potential, while contributing to the country's vision and growth, especially in times of crisis.

The Board of Directors is primarily responsible for the governance of the Company, fostering long-term success and sustaining its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

The Board's long-term view of success refers not only to the viability of the business venture but also to the conservation and protection of the environment, as well as the improvement in the living standards of the Company's host communities, underlining NAC's commitment to sustainable development.

Proof of this commitment is found in its dedicated people, such as Engr. Jose Bermudez "Joebby" Anievas, recognized by the Philippine Regulation Commission (PRC) as the "2020 Outstanding Professional of the Year in the Field of Mining Engineering". This is the highest award that the PRC gives to professionals for demonstrating competence to the highest degree and integrity in the exercise of the profession.

Serving the mining industry for 45 years, Anievas is a bright representation of the quality of NAC leaders. He started as a resident mine manager for TMC, and moved up the ranks to become the company's Chief Operating Officer. In his long career, he has taken on many roles, including that of safety officer and underground mining engineer. One of his proudest work was developing organizations for young professionals in the field of exploration and mining, with a strong emphasis on environmental protection and responsible and sustainable mining.

It is through driven and hard-working leaders like Anievas that NAC pushes its sustainability vision and efforts forward.

### *Economic Performance*

NAC is cognizant of our role in stimulating and promoting local economies where our mines operate. The Company's economic value distribution data shows that employees, suppliers and contractors, host and neighboring communities, local and national government, and stockholders all benefit from the practice of good governance which inculcates inclusivity and resilience into its performance, while generating economic gains for all.

Because its employees are the drivers of its business' success, NAC provides compensation packages that are on par or even better than industry standards. When COVID-19 came to the country, the Company provided comprehensive health and safety measures for all employees so they may work in a safe and healthy environment. Rapid testing was conducted every two weeks; and face masks, shields and vitamins were distributed to compliment the health and safety measures set up by the Company. Furthermore, the 13th month pay was released in advance in the first half of 2020 so that employees could better cope with the financial impacts of the pandemic. Most significantly, no employees were separated or laid off, and there was no pay reduction done despite the cost of responding to the pandemic.

With its suppliers and contractors, NAC consistently followed fair practices, offering reasonable rates and purchase rates at market prices, and paying liabilities when they fall due. Purchases from local suppliers accounted for about 39% of the Company's total procurement for the year 2020.

In engaging with its host and neighboring communities meanwhile, NAC and its operating companies also have corporate social responsibility (CSR) programs over and above the mandated SDMP. In the case of host communities with Indigenous Peoples (IPs) residents, the Company shares 1% of its revenue to the IPs in the form of royalty. Total royalties paid in 2020 amounted to PhP137.85 million.

Furthermore, NAC places great importance to its responsibilities towards its shareholders. Due to this, NAC maintains a policy to distribute at least 30% of its income as dividends. For the year 2020, NAC paid PhP0.09/share regular dividends and two special cash dividends of PhP0.22/share and PhP0.14/share.

In supporting the government and national economic development, NAC ensured that it paid correct taxes on time, receiving recognition for its responsible actions. The prompt payment of taxes ahead of the deadline provided additional boost to the government's social amelioration program, emergency health measures and the economic stimulus packages all meant to cushion the impact of the pandemic. This was noted by the country's Finance Secretary Carlos Dominguez III as he hailed the country's top 500 taxpayers which settled their corporate and income tax returns (ITRs) ahead of the extended deadline due to the coronavirus lockdown.

Aside from this, the company complies with all other requirements of tax authorities such as annual tax reviews, as it puts compliance with all applicable tax regulations as an overarching

goal in its tax management. The company has publicly stated its commitment to compliance with tax laws and regulations and faithfully reports on its approach to transfer pricing through disclosures in related party policies, material related party balances, and new BIR disclosures. NAC does not use tax havens and chooses to course discussions and concerns on industry-specific impacts of tax regulations through the COMP.

At the national level, overall operations paid PhP861.25 million in excise taxes and PhP2.36 billion in income taxes. Total taxes paid by overall operations in 2020 reached PhP5.85 billion, with PhP317.64 million going to the local government units (LGUs).

*Supply Chain Management*

Spending on Local Suppliers (in millions PhP)	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>					
Total Spending	1,573	3,438	787	2,203	<b>8,001</b>
Spending on Local Suppliers	242	1,368	495	614	<b>2,719</b>
Percentage of spending on local suppliers	15%	40%	63%	28%	<b>34%</b>
<b>2019</b>					
Total Spending	1,393	3,383	439	2,238	<b>7,453</b>
Spending on Local Suppliers	157	1,958	87	713	<b>2,915</b>
Percentage of spending on local suppliers	11%	58%	20%	32%	<b>39%</b>

NAC has institutionalized its management-level responsibility for a sustainable supply chain management approach, allowing it to maintain efficiency while pursuing continuous process improvement.

The Company considers the social, environmental and economic performance of suppliers and assesses these through an accreditation process that needs to be completed before any transaction, facilitated by its Accreditation Committee. Aside from track record, quality, cost, and delivery lead times, the committee insists on Safety, Environmental, and Regulatory compliance from its suppliers and vendors.

In 2020, NAC also added some requirements for accreditation such as Department of Labor and Employment (DOLE) Certificate of Registration and essential Bureau of Internal Revenue (BIR) documents.

Another milestone for the year was the launch of the Enterprise Resource Planning (ERP) system through the SAP platform, piloting the roll-out were the NAC Head Office and CMC.

Additionally, the company carefully monitors non-compliance incidents or practices across its supply chain, with the ultimate penalty of a ban for suppliers that cannot comply. As fair practice, the company engages with non-compliant suppliers to help them reach compliance,

with formal coordination meetings conducted for suppliers or contractors to raise concerns. There were no instances of non-compliance in 2020 in view of the pandemic, as the Company factored in flexibility in response to the local situations, thereby helping many local suppliers cope with the shifts and restrictions brought about by the times.

Whenever possible, the Company prioritizes local suppliers because majority of them are authorized distributors of foreign principals. With local suppliers, the Company can pay in Philippine Peso and have standard terms of payment. Goods and services being procured from local suppliers include spare parts, tires, lubricants, fuel, safety products, chemicals, consumables, mining manpower, and security services. Host and neighboring communities are also involved in local procurement initiatives, optimizing sources of indigenous raw materials. By championing local materials through local suppliers, NAC supports national economic growth through its sustainable value chain.

Since an efficient supply chain is essential to sustainability, NAC takes proactive measures to ensure materials and service received from suppliers are at par with its high-quality standards. This is done through constant coordination with end-users to monitor the performance of both local and foreign suppliers and vendors.

### *Compliance*

NAC considers itself an active partner of the Department of Environment and Natural Resources (DENR) and its agencies, including: the Mines and Geosciences Bureau (MGB), the Environmental Management Bureau (EMB), and the Biodiversity Management Bureau (BMB). The Company is committed to the DENR's goals and objectives as articulated in the policies and laws they prescribe.

Beyond compliance, NAC champions the principles of the policies and laws prescribed by the Department of Labor and Employment (DOLE), the Department of Health (DOH), the National Commission on Indigenous Peoples (NCIP), and the local government units (LGUs), benefiting people and communities.

All NAC subsidiaries abide by the commitments stipulated in the Environmental Compliance Certificates (ECC), specified in the approved Work Programs, respecting and following pertinent rules and requirements for responsible mining operations.

The unique challenges that organizations like NAC faced in 2020 included having to manage more employees working from home, which required additional data security policies. A governance structure for data privacy management was therefore put in place, as defined in the Company's Data Privacy Policy.

Hence, as part of the policy, particularly on Corporate Mission Critical Applications, nothing is allowed to be accessed via public internet without prior written approval from the NAC



Assistant Vice President for Management Information System and Information Technology. Only the Company’s safe and secure e-mail system is publicly available over the internet, as it is protected by SOPHOS UTM for inbound and outbound attacks or DDOS. The Company holds ownership of company-assigned mobile phones and workstations, and additional anti-virus software was installed and kept updated with both Cloud Services and UTM Heartbeats to ensure safety against cyber threats.

The Company deployed on-premises UTM appliances at every internet entry point in the organization to have advanced detection, security, and protection. These were also deployed in workstations that communicate their protection status to their respective firewall, ensuring that only clean workstations are accessing the network. We have also deployed cloud-based email protection from SEG Trustwave to protect the Company from attacks such as spam, phishing, and malware. With these precautions and changes, no data breaches were recorded in 2020.

**Welfare of Our People**

*Highlights*

- 30,792 total training hours
- 2,787 employees in 2020
- 1,696 employees hired from local communities
- 1,137 employees under collective bargaining agreements
- 34% women in supervisory and managerial positions
- 14% women in workforce
- 102 indigenous peoples in the workforce

*Putting people first*

In the midst of a global health crisis that resulted in unprecedented community quarantines in the country, NAC demonstrated a people-first focus as it adjusted processes and policies to quickly respond to the government directive for work-from-home arrangements, along with public transportation and community access restrictions. All throughout the Enhanced Community Quarantine (ECQ) period up to the time when restrictions were gradually loosened, the Company focused on protecting its people through appropriate solutions that supported its employees’ safety and wellbeing throughout the challenging period.

NAC undertook various steps to ensure a safe work environment for its employees, in order for them to be productive, safe and financially supported throughout the crisis. These initiatives include: arranging for work-from-home and flexible work set-ups, ensuring regular salaries are paid with no manpower reductions, approving leave credits, releasing the payment of the 13th-

month early, providing shuttle and transportation options, equipping its workforce with face masks and face shields, and lastly, implementing health and safety protocols such as physical distancing and the frequent disinfection of facilities.

The challenges of 2020 further strengthened the trust between NAC and its people by consistently practicing and enforcing the principles of human rights protection, fair compensation, and non-discrimination. Furthermore, the Company ensures that its employees have equal opportunities for professional and personal growth through learning and development.

Moreover, the Company believes that responsive and responsible action in times of crisis can bolster its ability to attract and retain competent and productive employees that would help the Company reach its corporate and ESG goals.

End-2020 data show that NAC's workforce reached a total of 2,787 gainfully employed individuals; of whom around 54% are from local communities and Indigenous groups. As best practice in Impact Sourcing, the Company makes a conscious effort to ensure that locals are aware of job openings and employment opportunities so as to provide economically disadvantaged groups a chance to compete for well-paying jobs.

As an equal-opportunity employer, NAC welcomes all qualified applicants and chooses the best candidate for each position through the assessment of their technical and professional skills, their potential leadership characteristics, their interest in personal development, as well as their ability to be trained.

NAC's non-discrimination policy is strictly applied at all times. People are treated with equal respect regardless of age, gender, physical disability, color, age, political affiliation, religion or ethnic origin. The company recognizes the importance of diversity in the workplace and makes sure that every employee knows they are valued, accepted and given equal opportunity.

In 2020, the Company's ratio of females to males was fairly stable at about 1:6. NAC fully supports women in mining, acknowledging female candidates even for traditionally male-held jobs such as heavy equipment operators and drivers. The percentage of women at the managerial and supervisory rose to 34% from the previous 22%.

To promote diversity and inclusion, training and development programs on both technical and soft skills are made available for all employees. With the strict physical distancing policy due to the pandemic, a variety of online training and webinars were offered in place of classroom sessions. The online training sessions were designed to help employees develop the skills and knowledge that will help them further develop their career in the mining industry.

As part of employee development, the Company provides an evaluation process that tracks employee performance using an established Performance Evaluation and Development Sheet with key performance indicators. Employees who were able to deliver excellent service

throughout the year are recognized during the Service Awards program and are given promotions, bonuses and/or salary increases.

**Employee Data**

**Employment by Position and Gender  
(Regular/Probationary)**

		RTN	TMC	HMC	CMC	HEAD OFFICE	TOTAL
<b>2020</b>							
<b>Male</b>	<b>Senior Management</b>	19	1	5	1	19	45
	<b>Managers</b>	9	43	9	12	8	81
	<b>Supervisors</b>	107	143	50	68	15	383
	<b>Rank and File</b>	477	378	82	117	14	1068
<b>Female</b>	<b>Senior Management</b>	4	1	0	0	3	8
	<b>Managers</b>	7	12	3	5	10	37
	<b>Supervisors</b>	52	75	38	40	16	221
	<b>Rank and File</b>	17	19	14	7	14	71
<b>TOTAL</b>		<b>692</b>	<b>672</b>	<b>201</b>	<b>250</b>	<b>99</b>	<b>1914</b>
<b>2019</b>							
<b>Male</b>	<b>Senior Management</b>	4	3	3	3	3	16
	<b>Managers</b>	24	33	12	7	4	80
	<b>Supervisors</b>	102	136	65	59	3	365
	<b>Rank and File</b>	490	390	104	121	11	1116
<b>Female</b>	<b>Senior Management</b>	2	0	0	0	1	3
	<b>Managers</b>	9	7	3	4	3	26
	<b>Supervisors</b>	43	71	38	29	14	195
	<b>Rank and File</b>	15	15	11	13	15	69
<b>TOTAL</b>		<b>689</b>	<b>655</b>	<b>236</b>	<b>236</b>	<b>54</b>	<b>1870</b>
<b>2018</b>							
<b>Male</b>	<b>Senior Management</b>	1	1	1	1	18	22
	<b>Managers</b>	28	36	14	11	8	97
	<b>Supervisors</b>	112	131	59	54	8	364
	<b>Rank and File</b>	500	408	103	125	11	1147
<b>Female</b>	<b>Senior Management</b>	0	0	0	0	3	3
	<b>Managers</b>	10	6	3	4	9	32
	<b>Supervisors</b>	37	70	34	30	13	184
	<b>Rank and File</b>	16	12	9	12	17	66
<b>TOTAL</b>							<b>1915</b>

Employment by Contract Type and Gender		RTN	TMC	HMC	CMC	HEAD OFFICE	TOTAL
<b>2020</b>							
Male	Regular/Probationary	612	565	146	198	56	1577
	Seasonal	206	315	53	110	0	684
	Project-based	116	25	2	0	1	144
	<b>Total</b>	<b>934</b>	<b>905</b>	<b>201</b>	<b>308</b>	<b>57</b>	<b>2405</b>
Female	Regular/Probationary	80	107	55	52	43	337
	Seasonal	0	9	8	13	0	30
	Project-based	9	6	0	0	0	15
	<b>Total</b>	<b>89</b>	<b>122</b>	<b>63</b>	<b>65</b>	<b>43</b>	<b>382</b>
<b>TOTAL</b>		<b>1023</b>	<b>1027</b>	<b>264</b>	<b>373</b>	<b>100</b>	<b>2787</b>
<b>2019</b>							
Male	Regular/Probationary	620	562	184	190	21	1577
	Seasonal	233	6	78	0	0	317
	Project-based	231	5	0	0	0	236
	<b>Total</b>	<b>1084</b>	<b>573</b>	<b>262</b>	<b>190</b>	<b>21</b>	<b>2130</b>
Female	Regular/Probationary	69	93	52	46	33	293
	Seasonal	0	0	10	0	0	10
	Project-based	10	2	0	0	0	12
	<b>Total</b>	<b>79</b>	<b>95</b>	<b>62</b>	<b>46</b>	<b>33</b>	<b>315</b>
<b>TOTAL</b>		<b>1163</b>	<b>668</b>	<b>324</b>	<b>236</b>	<b>54</b>	<b>2445</b>
<b>2018</b>							
Male	Regular/Probationary	641	576	177	191	45	1630
	Seasonal	199	206	124	118	0	647
	Project-based	264	20	0	0	0	284
	<b>Total</b>	<b>1104</b>	<b>802</b>	<b>301</b>	<b>309</b>	<b>45</b>	<b>2561</b>
Female	Regular/Probationary	63	88	46	46	42	285
	Seasonal	0	9	19	12	0	40
	Project-based	28	0	0	0	0	28
	<b>Total</b>	<b>91</b>	<b>97</b>	<b>65</b>	<b>58</b>	<b>42</b>	<b>353</b>
<b>TOTAL</b>		<b>1195</b>	<b>899</b>	<b>366</b>	<b>367</b>	<b>87</b>	<b>2914</b>

Employment by Position and Age Group	RTN	TMC	HMC	CMC	HEAD OFFICE	TOTAL
<b>2020</b>	<b>Below 30 yrs old</b>					
Senior Management	0	0	0	0	0	<b>0</b>
Middle Management	2	9	1	1	0	<b>13</b>
Supervisors	30	60	40	50	15	<b>195</b>
Rank and File	17	24	11	12	13	<b>77</b>
<b>TOTAL</b>	<b>49</b>	<b>93</b>	<b>52</b>	<b>63</b>	<b>28</b>	<b>285</b>
	<b>30 to 50 yrs old</b>					
Senior Management	8	1	3	0	7	<b>19</b>
Middle Management	11	33	9	13	13	<b>79</b>
Supervisors	105	132	36	52	14	<b>339</b>
Rank and File	370	265	66	85	13	<b>799</b>
<b>TOTAL</b>	<b>494</b>	<b>431</b>	<b>114</b>	<b>150</b>	<b>47</b>	<b>1236</b>
	<b>Over 50 yrs old</b>					
Senior Management	8	1	2	1	15	<b>27</b>
Middle Management	10	13	2	3	5	<b>33</b>
Supervisors	24	26	12	6	2	<b>70</b>
Rank and File	107	108	19	27	2	<b>263</b>
<b>TOTAL</b>	<b>149</b>	<b>148</b>	<b>35</b>	<b>37</b>	<b>24</b>	<b>393</b>
<b>TOTAL</b>	<b>692</b>	<b>672</b>	<b>201</b>	<b>250</b>	<b>99</b>	<b>1914</b>
<b>2019</b>	<b>Below 30 yrs old</b>					
Senior Management	0	0	0	0	0	<b>0</b>
Middle Management	6	2	0	2	1	<b>11</b>
Supervisors	45	64	46	47	3	<b>205</b>
Rank and File	28	26	11	13	6	<b>84</b>
<b>TOTAL</b>	<b>79</b>	<b>92</b>	<b>57</b>	<b>62</b>	<b>10</b>	<b>300</b>
	<b>30 to 50 yrs old</b>					
Senior Management	3	2	2	0	1	<b>8</b>
Middle Management	13	26	13	7	3	<b>62</b>
Supervisors	80	118	43	36	10	<b>287</b>
Rank and File	393	275	77	87	16	<b>848</b>
<b>TOTAL</b>	<b>489</b>	<b>421</b>	<b>135</b>	<b>130</b>	<b>30</b>	<b>1205</b>
	<b>Over 50 yrs old</b>					
Senior Management	3	1	1	3	3	<b>11</b>
Middle Management	14	12	2	2	3	<b>33</b>
Supervisors	20	25	14	5	4	<b>68</b>
Rank and File	84	104	27	34	4	<b>253</b>
<b>TOTAL</b>	<b>121</b>	<b>142</b>	<b>44</b>	<b>44</b>	<b>14</b>	<b>365</b>

TOTAL	689	655	236	236	54	1870
<b>2018</b>						
<b>Below 30 yrs old</b>						
Senior Management	0	0	0	0	0	0
Middle Management	7	3	1	2	1	14
Supervisors	53	74	45	51	9	232
Rank and File	31	30	31	14	14	120
<b>TOTAL</b>	91	107	77	67	24	366
<b>30 to 50 yrs old</b>						
Senior Management	0	1	3	0	5	9
Middle Management	14	24	10	8	12	68
Supervisors	71	108	19	28	10	236
Rank and File	402	285	78	83	14	862
<b>TOTAL</b>	487	418	110	119	41	1175
<b>Over 50 yrs old</b>						
Senior Management	1	0	1	1	16	19
Middle Management	17	14	3	5	4	43
Supervisors	25	20	11	5	2	63
Rank and File	83	105	21	40	0	249
<b>TOTAL</b>	126	139	36	51	22	374

Employment from Local Communities and IPs		RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>						
<b>Male</b>	<b>Regular</b>	390	454	139	91	1074
	<b>Probationary</b>	2	4	4	5	15
	<b>Seasonal</b>	206	38	53	104	401
	<b>Local Community (Total)</b>	598	496	196	200	1490
	<b>Indigenous People</b>	93	7	0	0	100
<b>Female</b>	<b>Regular</b>	45	69	46	15	175
	<b>Probationary</b>	0	2	3	1	6
	<b>Seasonal</b>	0	4	8	13	25
	<b>Local Community (Total)</b>	45	75	57	29	206
	<b>Indigenous People</b>	0	2	0	0	2
<b>TOTAL</b>		<b>643</b>	<b>571</b>	<b>253</b>	<b>29</b>	<b>3494</b>
<b>2019</b>						
<b>Male</b>	<b>Regular</b>	403	464	106	87	1060
	<b>Probationary</b>	2	3	0	3	8
	<b>Seasonal</b>	233	3	45	0	281
	<b>Local Community (Total)</b>	638	470	151	90	1349

	<b>Indigenous People</b>	79	2	0	0	<b>81</b>
<b>Female</b>	<b>Regular</b>	43	59	10	13	<b>125</b>
	<b>Probationary</b>	0	2	0	1	<b>3</b>
	<b>Seasonal</b>	0	0	10	0	<b>10</b>
	<b>Local Community (Total)</b>	43	61	20	14	<b>138</b>
	<b>Indigenous People</b>	5	7	0	0	<b>12</b>
<b>TOTAL</b>		<b>681</b>	<b>531</b>	<b>171</b>	<b>104</b>	<b>1487</b>
<b>2018</b>						
<b>Male</b>	<b>Regular</b>	354	559	132	89	<b>1134</b>
	<b>Probationary</b>	58	11	5	0	<b>74</b>
	<b>Seasonal</b>	199	226	113	107	<b>645</b>
	<b>Local Community (Total)</b>	611	796	250	196	<b>1853</b>
	<b>Indigenous People</b>	73	6	0	0	<b>79</b>
<b>Female</b>	<b>Regular</b>	33	85	29	11	<b>158</b>
	<b>Probationary</b>	8	1	2	1	<b>12</b>
	<b>Seasonal</b>	0	9	19	12	<b>40</b>
	<b>Local Community (Total)</b>	41	95	50	24	<b>210</b>
	<b>Indigenous People</b>	14	2	0	0	<b>16</b>
<b>TOTAL</b>		<b>652</b>	<b>891</b>	<b>300</b>	<b>220</b>	<b>2063</b>

Training Hours		RTN	TMC	HMC	CMC	HEAD OFFICE	TOTAL
<b>2020</b>							
<b>Total Training Hours</b>		11,774	6,255	11,825	39	899	<b>30,792</b>
<b>Male Training Hours</b>		10,657	4,442	8,181	12	380	<b>23,672</b>
<b>Female Training Hours</b>		1,117	1,813	3,644	27	519	<b>7,120</b>
<b>Total Employees Trained</b>		414	306	273	136	77	<b>1206</b>
<b>Male Employees Trained</b>		348	226	173	109	39	<b>895</b>
<b>Female Employees Trained</b>		66	80	100	27	38	<b>311</b>
<b>Average Training Hours by position:</b>	Senior Management	105	38	42	N/A	3	<b>Average Training Hours: 16.08</b>
	Middle Management	64	37	132	3	26	
	Supervisors	20	37	553	3	5	
	Rank and File	26	13	325	3	13	
<b>Average Training Hours</b>		28.4	20.4	43.3	0.3	11.7	
<b>2019</b>							
<b>Total Training Hours</b>		19,912	16,344	12,705	10,776	752	<b>60,489</b>
<b>Male Training Hours</b>		16,232	11,448	9,712	7,248	440	<b>45,080</b>
<b>Female Training Hours</b>		3,680	4,896	2,993	3,528	312	<b>15,409</b>
<b>Total Employees Trained</b>		418	324	175	183	32	<b>1132</b>

<b>Male Employees Trained</b>		351	251	122	124	15	<b>863</b>
<b>Female Employees Trained</b>		67	73	53	59	17	<b>269</b>
<b>Average Training Hours by position:</b>	Senior Management	80	105	11	8	16	<b>Average Training Hours: 32.34</b>
	Middle Management	51	101	98	77	18	
	Supervisors	66	60	118	75	29	
	Rank and File	37	23	29	134	8	
<b>Average Training Hours</b>		47.6	50.4	72.6	58.9	23.5	
<b>2018</b>							
<b>Total Training Hours</b>		10,088	28,224	7,600	15,651	3,889	<b>61,563</b>
<b>Total Employees Trained</b>		221	766	141	121	87	<b>1249</b>
<b>Ave Training Hours per Employee</b>		45.7	36.8	53.9	129.4	44.7	<b>32.14</b>

**Benefits**

List of Benefits	% of Male Employees who Availed for 2020					% of Female Employees who Availed for 2020				
	HEAD OFFICE	RTN	TMC	HMC	CMC	HEAD OFFICE	RTN	TMC	HMC	CMC
<b>2020</b>										
SSS	11%	33%	63%	10%	60%	7%	27%	46%	8%	35%
PhilHealth	2%	18%	20%	3%	100%	5%	8%	37%	12%	100%
Pag-ibig	5%	38%	62%	0.49%	64%	5%	13%	47%	0.15%	35%
Vacation Leaves	88%	100%	100%	1.03%	86%	90%	100%	100%	10%	89%
Sick Leaves	77%	69%	100%	0.03%	100%	70%	49%	100%	0.05%	100%
Medical benefits <sup>[a]</sup>	89%	100%	40%	1.03%	29%	58%	100%	54%	9%	52%
Housing assistance <sup>[b]</sup>	None	65%	86%	0%	N/A	0%	79%	86%	0%	N/A
Retirement benefit <sup>[c]</sup>	2%	2%	1%	0%	3%	2%	2%	1%	0%	0%
Further education support	0%	3%	0%	0%	9%	1%	6%	0%	0%	6.50%
Company stock options	34%	N/A	0.17%	1.38%	N/A	6.50%	N/A	0.93%	0.30%	N/A
Telecommuting	51%	0%	1%	100%	N/A	40%	11%	1%	100%	N/A
Flexible-working hours	54%	4%	1%	100%	100%	44%	54%	1%	100%	100%
Availment of free company quarters, with basic furnishing, free electricity and water	3%	24%	14%	51.48%	61%	0%	60%	14%	30%	74%
Birthday Leave (BL)	0%	52%	97%	10%	100%	0%	79%	97%	17%	100%
Medicine Allowance	100%	100%	3%	100%	100%	100%	100%	1%	100%	100%
Annual Physical Exam.	42%	100%	100%	100%	100%	44%	100%	100%	100%	100%



Rice Subsidy	100%	1%	100%	100%	100%	100%	11%	100%	100%	100%
Toiletries	N/A	N/A	8%	33.61%	40%	N/A	N/A	10%	28%	87%
Lighting Allowance	1%	N/A	99%	0%	57%	0%	N/A	91%	0%	11%
Working Uniform	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Life Insurance	0%	1%	0.01%	100%	0%	0%	11%	0%	100%	0%
Professional Tax Renewal (PRC)	5%	6%	15%	17.10%	24%	9%	21%	26%	9%	41%
Free Meals/Meal Allowance	100%	87%	28%	34%	41%	100%	82%	78%	22%	89%
Free Laundry	0%	1%	14%	35%	40%	0%	6%	12%	28%	87%
Free Room accommodation		49%			0%		79%		N/A	N/A
Others		100%					100%			

[a] Aside from PhliHealth

[b] Aside from Pag-ibig

[c] Aside from SSS

Parental Leaves		RTN	TMC	HMC	CMC	HEAD OFFICE	TOTAL
<b>2020</b>							
<b>Maternal Leave</b>	Total employees who took parental leave [A]	6	11	3	4	2	<b>26</b>
	Number of employees who returned to work after parental leave [B]	6	10	3	4	2	<b>25</b>
	Return to work rate (%)	100%	91%	100%	100%	100%	<b>96%</b>
	Number of employees who are still employed one year after their return from parental leave [C]	5	4	3	0	2	<b>14</b>
	Retention rate (%)	100%	100%	100%	0%	100%	<b>100%</b>
<b>Paternal Leave</b>	Total employees who took parental leave [A]	37	21	2	4	3	<b>67</b>
	Number of employees who returned to work after parental leave [B]	37	21	2	4	3	<b>67</b>
	Return to work rate (%)	100%	100%	100%	100%	100%	<b>100%</b>
	Number of employees who are still employed one year after their return from parental leave [C]	18	21	1	7	1	<b>48</b>
	Retention rate (%)	100%	75%	20%	100%	100%	<b>81%</b>

New Hires and Employee Turnover		RTN	TMC	HMC	CMC	HEAD OFFICE	TOTAL
<b>2020</b>							
<b>Male</b>	New Hires	5	377	5	13	6	<b>406</b>
	Attritions/Turnover	21	7	40	3	1	<b>72</b>
	Attrition Rate	3.4%	1.2%	27.4%	1.5%	1.8%	4.6%
	Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	1:1	11:9	
<b>Female</b>	New Hires	2	17	5	2	6	<b>32</b>
	Attritions/Turnover	1	0	7	2	1	<b>11</b>
	Attrition Rate	1.3%	0%	12.7%	3.9%	2.3%	3.3%
	Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	1:1	8:5	
<b>2019</b>							
<b>Male</b>	New Hires	7	4	10	15	0	<b>36</b>
	Attritions/Turnover	25	5	14	6	1	<b>51</b>
	Attrition Rate	4.0%	0.9%	7.8%	3.2%	3.0%	3.2%
	Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	5:4	1:1	
<b>Female</b>	New Hires	7	1	5	2	0	<b>15</b>
	Attritions/Turnover	1	0	3	2	0	<b>6</b>
	Attrition Rate	1.5%	0%	6.1%	4.4%	0%	2.1%
	Ratio of lowest paid employee against minimum wage	1:1	6:5	1:1	1:1	4:3	

### *Ensuring Good Labor Practices*

NAC’s Code of Business Conduct and Ethics and its Corporate Governance Manual, along with the Anti-Corruption Policy, help the Company drive consistent adherence to good labor practices across the different units of its business.

These are emphasized during new hire orientations, as well as during the annual general orientation held for all employees. The principles of business ethics and fair conduct are also ingrained through the annual renewal of a Certificate of Integrity and Compliance that each employee needs to read, understand, and acknowledge.

From this annual exercise, employees also learn of the channels available to them to freely communicate their concerns without fear of retaliation. Employees or stakeholders can report possible instances of corruption through the mechanisms provided in the Policy on Employee Disclosures and Complaints. A whistleblower may file a complaint with the Corporate Governance Officer (CGO) through the appropriate Company reporting channels. The

whistleblower may elect to identify himself or remain anonymous in accordance to the Anonymity Principle under Sec. 4 (b) of the policy.

Any and all reports are properly dealt with and referred to either HR, Legal, or the Resident Mine Manager. Externally reported cases of corruption are initially handled by ComRel and then referred to Legal, HR, and the Resident Mine Manager (RMM) for appropriate handling.

Confidentiality is stressed in these procedures, as the policy expressly prohibits the retaliation against any whistleblower. Whistleblowers or witnesses who choose to identify themselves are likewise protected from retaliation and harassment, and violation of such may be the subject to disciplinary measure by the Company.

NAC believes that recognizing and protecting our employees' rights cultivates a strong culture of trust that is essential to building a sustainable organization. We therefore fully support our people's freedom of association, and their rights to form a union towards the aim of collective bargaining. NAC recognizes its employees' unions as important partners in business, helping to build mutual trust and respect, teamwork, and openness in the various interactions between the leadership and its people.

TMC has one union, the Taganito Labor Union, which represents regular rank-and-file employees. Through the Labor Management Committee (LMC), the relationship between labor and management is actively and thoughtfully cared for. As a testament of its commitment to harmonious labor-management relations, TMC was shortlisted as a finalist in the 2019 Search for Outstanding LMC for Industrial Peace during the 12th National Convention on Labor-Management Cooperation. TMC also received a Special Award on Effective Organizational Structure which recognizes TMC for "adopting a flexible LMC structure that is responsive to the relational and business realities in the Company, thus, helping greatly in developing leadership potentials and in shaping and achieving the goals toward enhanced partnership and inclusive company growth."

HMC also has one union, called the Hinatuan Mining Labor Union (HIMLU), which is affiliated with an independent labor center called the Kilusang Mayo Uno (KMU). HMC management and HIMLU representatives hold regular Labor Management Conferences every third Friday of the month.

Meanwhile, CMC's existing Collective Bargaining Agreement also provides for regular Labor Management Conferences every third Friday of the month. These are for concerns that are not related to wages/salaries and benefits. Respective department heads are invited to attend these conferences. The union is allowed to conduct Executive Committee Meetings whenever necessary to allow the officers and union leaders to discuss pressing matters.

RTN has two unions, the Rio Tuba Nickel Workers Union (RTNWU) and the RTNSU-FFW. The 2019-2020 Supplemental Agreement to the 2016-2020 CBA between RTNMC and RTNWU was executed and signed on January 17, 2020 at NAC Tower, Bonifacio Global City, Taguig City with

the presence of NCMB Regional (MIMAROPA) Director and DOLE Asst. Regional (MIMAROPA) Director. Through LMC and SMC meetings, both the management and the unions work together in crafting solutions on matters of mutual concern in order to create a more fair and productive workplace.

Through the unions and the CBAs, mechanisms to address grievances are agreed upon by all parties so that any and all disputes between labor and management are resolved through friendly negotiations. The CBAs clearly set out procedures that are acceptable to all parties, to ensure the fair and timely resolutions of cases. The process works because the parties share common interest in the continuity of work until all issues in the dispute have been discussed and settled, reinforcing a relationship based on cooperation and trust.

Collective Bargaining Agreement	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>					
Number of employees under CBA	556	397	91	93	<b>1137</b>
Percent of employees under CBA	80%	59%	45%	37%	
No. of consultations conducted with employees concerning employee-related policies	4	12	7	8	
<b>2019</b>					
Number of employees under CBA	574	399	113	91	<b>1177</b>
Percent of employees under CBA	83%	61%	48%	39%	65%
No. of consultations conducted with employees concerning employee-related policies	11	0	12	10	33
<b>2018</b>					
Number of employees under CBA	543	419	112	98	<b>1172</b>
Percent of employees under CBA	77%	63%	50%	26%	64%

### Creating a Safe and Healthy Workplace

*Highlights*

PhP 94.4 million spent on Health and Safety Programs  
 20,259,147 total man-hours  
 58,788,060 safe man-hours to-date

Given the nature of the work in the mining industry, NAC has had to deeply ingrain a health and safety mindset within its entire workforce. This has proven to be a great strength during a pandemic. NAC employees understand that keeping everyone safe is always the top priority—to ensure this, all employees are well-versed on the policies, standards, and processes that govern these safety principles in the mine sites.

Through proper skills training and information dissemination, NAC ensures people have the essential tools and the knowledge to enable them to keep safe and avoid risks. To implement this, the Company has a comprehensive safety program designed to mitigate risks in the work environment, and to ensure compliance with occupational health and safety standards, including the COVID-19 precautions prescribed by the government such as the wearing of face masks and face shields, and observance of physical distancing in the workplace.

The Company’s standard health and safety protocols were therefore augmented to comply with specific COVID-19 response:

- Temperature checks at entrances
- Use of protective equipment and safety devices
- Prohibition of group gatherings and limitation on allowed room occupants
- Increased frequency of the cleaning and disinfecting of facilities
- Provision of hand sanitizers and soaps for handwashing
- Implementation of physical distancing in common areas
- Provision of first aid and emergency equipment
- Regular safety inspections
- Regular safety briefings and emergency preparedness training and drills
- Safety orientation for new employees
- Comprehensive investigation of incidents and near misses to understand root causes and to implement corrective measures
- Monitoring of lost time injuries, medically treated injuries, minor injuries, and non-injury incidents

With the government-imposed community quarantines that affected operations for numerous months in 2020, the total logged man hours were lower compared to last year. Fortunately, there were no work-related fatalities recorded nor lost time accidents for the year. There were only a few reported occupational injuries and illness that did not lead to any lost days.

NAC has a Central Safety and Health Committee (CSHC) driving all the mine sites’ consistent execution of the safety programs.

The CSHC is composed of the Resident Mine Manager, at least one safety engineer, and representatives across divisions, groups, departments, and sections, as well as from the union and the contractors. The CSHC implements standard processes and constantly monitors issues and employee concerns relating to health and safety. Safety Officers conduct regular inspections to ensure compliance to the Company’s safety rules and regulations.

Employees also have a voice in these Health and Safety Committees, and their feedback and suggestions are proactively being sought. Currently, RTN has 38 employee representatives while TMC has 24, HMC has 28, and CMC has 23 representatives in these committees.

The consistent adherence to standards allows NAC operating companies to offer a safe and healthy workplace environment for its workforce. In fact, CMC was recognized as the Safest Surface Mine and the Overall Safest Mine Operations in the last Presidential Mineral Industry Environmental Award (PMIEA). CMC was cited for having shown exemplary performance in the areas of safety, health, environment enhancement and protection, and social development and corporate social responsibility. Meanwhile, RTNMC was recognized in Mine Safety Field Demonstration and Field Competition on First Aid, demonstrating the unrivaled competence of its emergency response team.

RTNMC indeed is a dependable performer as it was able to maintain its ISO certifications: 9001:2015 for Quality Management System; 14001:2015 for Environmental Management System; and 45001:2018 for Occupational Health and Safety Management, resulting from the annual surveillance audit conducted by TUV Rheinland.

Injuries and Accidents	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>					
No. of employees in health & safety committee	38	41	28	46	153
Total Manhours	5,356,949	7,338,671	2,828,142	4,290,200	19,813,962
Safe Manhours	8,023,730	5,641,043	29,899,280	15,224,007	58,788,060
Lost time accidents	0	-	0	0	0
Number of occupational injuries/illnesses	0	4	4	21	29
Incidence Rate	2.45	12.40	8.49	6.53	7.68
Severity Rate	0	817.59	0	0	291.70
Lost days	0	6,000	0	0	6,000
Fatalities	0	1	0	0	1
Work-related fatalities	0	0	0	0	0
No. of safety drills	6	6	9	15	36
<b>2019</b>					
No. of employees in health & safety committee	45	55	28	35	163
Total Manhours	5,836,303	7,214,578	4,429,835	4,281,251	21,761,968
Safe Manhours	2,666,781	2,932,982	27,198,119	10,933,806	43,731,688
Lost time accidents	2	2	0	0	4
Number of occupational injuries/illnesses	5	6	9	1	21
Incidence Rate	1.71	7.07	9.93	7.01	25.72
Severity Rate	0.34	2,495	0	0	2,495.34
Lost days	6018	18,000	0	0	24,018
Fatalities	1	3	0	0	4
Work-related fatalities	1	3	0	0	4
No. of safety drills	8	4	4	4	20
<b>2018</b>					

No. of employees in health & safety committee	56	55	21	30	162
Total Manhours	7,576,463	7,945,192	4,847,980	4,008,262	24,377,897
Lost time accidents	0	3	0	0	3
Number of occupational injuries/illnesses	8	8	0	65	81
Incidence Rate	1.58	1.41	17.33	16.21	36.53
Severity Rate	0	155.62	0	0	155.62
Lost days	0	6,182	0	0	6182
Fatalities	0	1	0	0	1
Work-related fatalities	0	0	0	0	0
No. of safety drills	5	4	6	12	27

Training Programs on Health and Safety	RTN	TMC	HMC	CMC
<b>2020</b>				
Medical Trainings	37	0	49	0
Road Safety Trainings	2,634	186	255	10
Fire Safety Trainings	21	36	173	35
Occupational Health and Safety Trainings	1,064	3,094	159	107
COVID-19 Response Trainings	2	22	47	2
<b>2019</b>				
Medical Trainings	908	58	24	38
Road Safety Trainings	1,482	15	135	133
Fire Safety Trainings	53	0	33	15
Occupational Health and Safety Trainings	155	3,909	178	118
<b>2018</b>				
Medical Trainings	1,990	24	43	16
Road Safety Trainings	1,245	189	505	5
Fire Safety Trainings	33	25	271	19
Occupational Health and Safety Trainings	91	273	63	196

### Protecting the Environment

#### Highlights

Water quality Maintained within Standards at all Discharge Points throughout the Year  
 6,921 MWh electricity consumed  
 35,707,492 liters of fuel consumed  
 253.8 tons recycled waste collected  
 271,985 liters of used oil treated by treatment facility  
 323,162 kg of hazardous waste treated at a treatment facility  
 118,394 kg of residual waste sent to landfills  
 PHP 355,809,299.92 investment on Environmental Protection and Enhancement Programs  
 97,341 TCO<sub>2</sub>eq of GHG emissions monitored  
 PHP 105,224,832 Million budget for water protection programs  
 594,978 seedlings planted

Each NAC operating mine has comprehensive and strategic environmental management plans that cover management objectives, criteria, and commitments pertaining to environmental protection and rehabilitation.



Referred to as the Environmental Protection and Enhancement Programs (EPEP), the annual plan consists of initiatives for Land Protection, Air Protection, Water Protection, and Environmental Monitoring. These initiatives include the rehabilitation of disturbed areas, reforestation, construction and maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring, and preservation of downstream water quality.

There are multipartite monitoring teams tasked to review these environmental programs on a quarterly basis. An annual accomplishment report based on the objectives outlined in the EPEP is also prepared and submitted by the Mine Environment Protection and Enhancement Officer.

In 2020, NAC celebrated successful EPEP projects such as HMC’s coral nursery initiative, designed and implemented by HMC’s Mine Environmental Protection and Enhancement Department (MEPEO), which aims to further enhance the growth of the natural coral reef systems around the marine waters of Hinatuan, Tagana-an, Surigao del Norte.

The successful project paved the way, in less than a year of establishing the nursery – initially with 343 coral fragments in 4 nursery beds, for the coral fragments to have fully recovered with an excellent growth rate and a yield of 90% survival against a mortality rate of 10%. The nursery kicks off the coral gardening initiative in Hinatuan Island as healthy coral “outgrowths” are transplanted to propagate the coral garden.

The UN connects coral gardening to *“the current narratives about the pandemic, detailing how humans and our livelihood are connected to corals in so many ways: the fish that live on coral reefs provide food; coral reefs are draws for tourists who bring in the cash that provide livelihood; that there are new medicines being developed from species found in coral reefs; and, that coral reefs help in the protection of our shores from erosion and pollution.”*  
(BusinessMirror, 22 July 2020)

Meanwhile, TMC has launched “DiSCUBA,” a program that aims to get more people in the mining community of Claver and adjacent towns in Surigao del Norte to experience and appreciate diving and to see for themselves what TMC does as a responsible mining company that also serves as an environmental protector.

The program showcases a dive spot that TMC has adopted – the Malingin islet, some 791 meters from the wharf of TMC and about 1.2km from the mouth of Taganito River. The program is supported by Agapito S. Cuadra, Jr., a marine biologist and TMC’s Coastal Resource Management Specialist, whose job includes researching the characteristics of marine landscapes and helping design programs for environment enhancement and protection.

EPEP Spending (Million PhP)	RTN	TMC	HMC	CMC	TOTAL
2020	67	152	82	55	356
2019	81	216	157	55	509
2018	103	228	175	46	552

EPEP Budget Allocation (Million PhP)	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>					
Land Protection	26	53	59	33	171
Air Protection	15	20	7	4	46
Water Protection	14	69	10	13	106
Environmental Monitoring	8	5	1	2	16
Other Initiatives	4	5	5	3	17
<b>TOTAL EPEP</b>	67	152	82	55	356
<b>2019</b>					
Land Protection	22	63	114	24	223
Air Protection	24	54	12	15	105
Water Protection	19	89	24	6	138
Environmental Monitoring	12	3	2	1	18
Other Initiatives	4	7	5	9	25
<b>TOTAL EPEP</b>	81	216	157	55	509

### *Land Protection*

NAC’s relationship with the land it works on is built on the Company’s respect and appreciation for nature’s true value. As much as the mining process itself necessitates the removal of natural vegetation, the Company makes every effort to ensure that proper management and rehabilitation measures are in place to tend to biodiversity concerns, including:

- Proper handling of cleared vegetation including topsoil management
- Acquisition of Special Tree Cutting and Earth- balling Permit (STCEP) for earth-balling projects and strict compliance with the requirements
- Progressive rehabilitation on mined-out areas and reforestation with indigenous species to preserve the natural floral biodiversity of the affected sites

Operating Companies conduct environmental baseline data-gathering and periodic biodiversity assessment. Biodiversity management has been integrated in NAC’s mining forest and national greening programs and projects. It has also been a major component in the company’s Annual EPEP under reforestation and research and development in collaboration with top academic institutions.

Moreover, the mine sites also established buffer zones and forest conservation areas within the scope of its MPSA to facilitate the transfer of the habitat of the displaced wildlife, as well as to maintain the water source. Rehabilitation of mined out areas are also conscientiously conducted so that the forest is rebuilt and the wildlife returns.

HMC, for instance, established an infrastructure called Zoorigao in Hinatuan Island -- composed of an orchidarium, pavilion, and a butterfly garden. It has become a safe haven for rescued wild birds, animals, and avifaunal species.

For its rehabilitation initiatives, HMC has been using a high-density planting strategy similar to the Miyawaki approach which mimics natural regeneration with the main goal to achieve a more natural forest-like growth with grasses, shrubs, and multiple sub-species added to the main trees. This approach gets the target area greener and leafier in half the expected time.

HMC started with picking out good provenance forest tree seedlings and mixed them with fast-growing and indigenous forest tree seedlings that are naturally occurring in the area. Then, it applied careful maintenance and tending practices to ensure quality growth in a short fragment of time. As soon as the vegetation renders its microclimate, the natural characteristics of “endozoochory” sets in wherein seed dispersal is aided by flora and fauna – or “the birds and the bees, and flowers and trees”.

RTNMC, meanwhile, has a partnership with Crocodilus Porosus Phils. Inc. for crocodile conservation and awareness initiatives. It also supports the protection of the Ursula Island Wildlife Sanctuary.

For its part, TMC deployed buoys to delineate the Malingin Islet marine sanctuary, monitoring flora and fauna changes within the MPSA during wet and dry seasons. The company also has a biodiversity area where different tree species are earth-balled and propagated.

Protecting the land also means driving initiatives to prevent soil and underground contamination from leakages. That is why HMC constructed an oil and water separator at their motor pool area and laundry area, and placed grease traps in the kitchen area.

The mine sites strictly monitor environmental facilities and regularly check to ensure the effectiveness of structures in containing and preventing soil and underground contamination. With an efficient Environmental Management System, the Company manages and controls its impact on the environment.

<b>Land Protection</b>	<b>RTN</b>	<b>TMC</b>	<b>HMC</b>	<b>CMC</b>	<b>TOTAL</b>
<b>2020</b>					
Total Area Disturbed (ha)	1,251 <sup>[a]</sup>	909	21.18	207	<b>2,388</b>
Total Area Used for Other Purposes (ha)	1,183	502	101	439	<b>2,225</b>
Total Area Rehabilitated (ha)	8	30	48	5	<b>91</b>
Total Area Reforested (ha)	0	16	44	69	<b>129</b>
Area of land used for extractive use (ha)	68	1781 <sup>[b]</sup>	18	40	<b>1,907</b>
Percentage of land requiring biodiversity management plans	53.00%	59.00%	69.94%	4.51%	
Operational sites owned, leased, managed in, or adjacent to, protected area and areas of high biodiversity value outside protected areas	None	0	None	5	<b>5</b>
Habitats protected or restored (ha)	4	0	None	2	<b>6</b>
<b>2019</b>					
Total Area Disturbed (ha) <sup>[c]</sup>	990	4863	774	697	<b>7324</b>
Total Area Used for Other Purposes (ha)	750	486	0	109 <sup>[d]</sup>	<b>1345</b>
Total Area Rehabilitated (ha)	33	46	70	11	<b>160</b>
Total Area Reforested (ha)	4	22	71	41	<b>138</b>
Area of land used for extractive use (ha)	51	145 <sup>[e]</sup>	19	59	<b>274</b>
Percentage of land requiring biodiversity management plans	3.00%	1.00%	27.00%	34.00%	<b>65.00%</b>
Operational sites owned, leased, managed in, or adjacent to, protected area and areas of high biodiversity value outside protected areas	None	None	None	5	<b>5</b>
Habitats protected or restored (ha)	650	None	206	379	<b>1235</b>
<b>2018</b>					
Total Area Disturbed (ha)	990	4,863	774	697	<b>7324</b>
Total Area Used for Other Purposes (ha)	490	1188	253	266	<b>2197</b>
Total Area Rehabilitated (ha)	155	191	184	92	<b>622</b>
Total Area Reforested (ha)	609	641	35	40	<b>1325</b>
Area of land used for extractive use (ha)	142	103	57	42	<b>344</b>
Percentage of land requiring	24.00%	17.00%	8.00%	13.00%	<b>62.00%</b>

biodiversity management plans					
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- [a] Increase in figure because RTN amended their MPSA last 2020
- [b] Area includes active mining area, inactive mining area, and proposed mining areas
- [c] Data provided was the whole MPSA Area
- [d] Data provided is enhancement plantation only
- [e] Data provided was active mining area only

*The International Union for Conservation of Nature and Natural Resources Red List species and national conservation list species with habitats in areas affected by operations (2020)*

RTN	CMC
Alcedo meninting, Aplonis panayensis, Arachnothera dilutior, Cacomantis merulinus, Caprimulgus macrurus, Centropus viridis, Ceyx erithaca, Chalcophaps indica, Chloropsis palawanensis, Cinyris jugularis, Collocalia troglodytes, Copsychus niger, Corvus enca, Dicaeum pygmaeum, Ficedula plateneae, Gallus gallus, Geopelia striata, Gerygone sulphurea, Gracula religiosa, Haliastur indus, Hirundo tahitica, Hypothymis azurea, Ixobrychus cinnamomeus, Leptocoma sperata, Lonchura atricapilla, Lonchura leucogastra, Macropygia tenuirostris, Nisaetus cirrhatus, Orthotomus sericeus, Otus fuliginosus, Passer montanus, Pelargopsis capensis, Phaenicophaeus curvirostris, Phylloscopus borealis, Pitta sordida, Prionochilus plateni, Pycnonotus cinereifrons, Pycnonotus plumosus, Tanygnathus lucionensis, Tersiphone cyanescens, Trichastoma cinereiceps, Hipposideros ater, Hipposideros bicolor, Cynopterus brachyotis, Eonycteris spelaea, Macroglossus minimus, Miniopterus australis, Murina cyclotis, Sundasciurus steerii <sup>[a]</sup>	Flora Trees: Almaciga (Agathis philippinensis), Mountain Agoho (Gymnostoma rumphianum), Yakal-yamban (Shorea falciferoides), Kalingag (Cinnamomum mercadoi), Yakal (Shorea astylosa), Balete (Kingiodendron alternifolium), Mangkono (Xanthostemon verdugonianus), Tega/Mapilig (Xanthostemon bracteatus). Palms: Kaliso (Areca caliso), Pandan-dagat (Pandanus dinagatensis). Shrubs: Linatog (Eurycoma longifolia). Climbers : Pitcher plant (Nepenthes belii), (Nepenthes mindanaoensis), Sandaoua (Nepenthes truncata). Herbs: Lady slipper orchid (Paphiopedilum ciliolare), Fire orchid (Renanthena matutina), Fauna Birds: Mindano tarictic hornbill (Penelopides affinis), Visayan flowerpecker (Dicaeum haematostictum). Reptiles: Philippine sailfin lizard (Hydrosaurus pustulatus). Amphibians: Mindanao fanged frog (Limnonectes magnus)
HMC <sup>[b]</sup>	TMC <sup>[b]</sup>

- [a] Was able to conduct inventory for this reporting period
- [b] Was not able to conduct inventory for this reporting period

*Energy Consumption and Management*

NAC continually pursues the improvement in efficiency of all its operations in order to optimize valuable resources such as fuel and electricity. Although the past year presented a unique situation, the Company reminded its operating companies to continue to look for ways to reduce and manage energy consumption.

For instance, TMC’s use of a conveyor belt system has an equivalent hauling capacity of 15-20 dump trucks per hour, which resulted in significant annual fuel savings. It also uses solar-powered electronics, and is gradually shifting to the use of energy-efficient LED bulbs.

HMC is also replacing ordinary fluorescent bulbs with LED lamps using solar energy in facilities located in remote areas. Correspondingly, RTN’s energy conservation and fuel reduction programs also includes using a solar drying process.

For its part, CMC conserves fuel by adapting carpooling services for personnel transport and ensuring fuel-operated machines are turned off when not in use.

Opportunities to incorporate renewable energy alternatives are being explored. RTN has conducted a feasibility study on the use of hybrid energy (solar-genset) as an energy source while HMC is researching the potential of windmill and solar power plants.

RTN also sets fuel allocation and limits for the departments’ activities. Targets are set and strictly monitored so as not to exceed allocation limits. Regulating the use of vehicles via the trip ticket system, various activities and projects are well-planned and scheduled to maximize vehicle use, including mining and hauling activities. In addition, vehicles and equipment are regularly checked and undergo regular preventive maintenance to ensure efficient fuel combustion, thereby maximizing fuel usage.

Fuel & Electricity Consumption	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>					
Genset (Ltrs)	90,619	133,987	197,380	530,552	952,538
Energy Generated by Genset (MWH)	102	408	656	1,216	2,382
Vehicles - Diesel (Ltrs)	9,712,166	14,494,354	2,929,808	7,508,319	34,644,647
Vehicles - Gasoline (Ltrs)	46,967	26,170	22,633	14,537	110,307
Electricity from Local Supply (MWH)	1,980	2,489	70	N/A	4,539
LPG (GJ)	N/A	91	780	2,950	3,821
<b>2019</b>					
Genset (Ltrs)	115,592	179,004	191,734	525,035	1,011,365
Energy Generated by Genset (MWH)	178	430	671	1,304	2,583
Vehicles - Diesel (Ltrs)	9,480,511	16,712,150	6,011,503	8,850,506	41,054,670
Vehicles - Gasoline (Ltrs)	62,978	31,126	74,302	12,582	180,988
Electricity from Local Supply (MWH)	2,218	1,736	N/A	N/A	3,954
LPG (GJ)	N/A	57	792	2,500	3,349
<b>2018</b>					
Genset (Ltrs)	110,180	341,015	312,182	398,724	1,162,101
Energy Generated by Genset (MWH)	160	1,200	627	860	2,847
Vehicles - Diesel (Ltrs)	10,637,887	16,713,753	6,817,041	7,600,924	41,769,605
Vehicles - Gasoline (Ltrs)	58,799	24,232	70,152	11,993	165,176
Electricity from Local Supply (MWH)	2,435	1,677	N/A	N/A	4,112
LPG (GJ)	N/A	N/A	N/A	N/A	N/A

*Air Quality and Emissions*

Implementing an Air Quality Management Program ensures that people in and around the mine sites enjoy air that is free from hazardous gases and elements. The program entails conducting regular monitoring, testing and measurement of dust emissions to keep these within healthy limits as prescribed by the DENR, also keeping all pollutant-emitting devices requiring government permits compliant.

RTN, for example, conducts stack emission sampling of new air pollutant sources while TMC deploys water lorry units to designated strategic areas to address dust excesses. CMC conducts annual GHG and carbon sink assessments and is aiming to phase out equipment, materials and supplies that may emit oxygen depleting substances (ODS).

Air Quality	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>					
GHG (Scope 1) TCO2	26,382	38,121	8,138	21,274	93,915
GHG (Scope 2) TCO2	1,095	48	59	18	1,220
GHG (Scope 3) TCO2	6	8	2,171 [a]	21	2,206
Ozone-depleting substances (ODS) (kg)	N/A	-	61	N/A	61
Nitrous Oxides (NOx) (mg/Ncm)	N/A	N/A	198	39	237
Sulfur Oxides (SOx) (mg/Ncm)	N/A	N/A	No monitoring for the period	3	3
Persistent organic pollutants (POP)	N/A	N/A	No monitoring for the period	N/A	-
Volatile organic compounds (VOC)	N/A	N/A	No monitoring for the period	3	3
Hazardous air pollutants (HAP)	N/A	N/A	No monitoring for the period	N/A	-
Particulate matter (PM) (ug/Ncm)	13	44	51	9	117
<b>2019</b>					
GHG (Scope 1) TCO2	27,068	46,538	9,053	23,223	105,883
GHG (Scope 2) TCO2	N/A	42	55	8	105
GHG (Scope 3) TCO2	N/A	47	8,723	152	8,922
Ozone-depleting substances (ODS) (kg)	N/A	N/A	27	N/A	27
Nitrous Oxides (NOx) (mg/Ncm)	N/A	694	N/A	3	697
Sulfure Oxides (SOx) (mg/Ncm)	N/A	N/A	N/A	28	28
Particulate matter (PM) (ug/Ncm)	11	75	11	5	102
<b>2018</b>					
GHG Overall TCO2	30,264	45,042	19,595	19,845	114,746

[a] Including waste in computation

*Solid and Hazardous Waste Management*

NAC’s mine sites and its communities contend with the challenges of managing solid wastes, including hazardous waste. Proven strategies such as waste segregation are already being done in all the mine sites, leading to opportunities for recycling, upcycling, composting, vermicomposting, and mulching.

At the same time, proper disposal methods for specific types of wastes are being used, including the use of a Materials Recovery Facility (MRF) for recyclable and reusable wastes, and sanitary landfills for residual wastes.

In 2020, HMC launched its upcycling project utilizing used tires and converting them into reusable items such as garden sets, flower pots, and garbage bins. They also used scrap tires in their landscaping projects. The company also uses organic seedling pots or what we call "JOBO pots" for seedling production, significantly decreasing the use of polyethylene bags.

Furthermore, CMC promotes eco-bricks with an initiative called “SIK SIK BOTE Challenge,” encouraging employees and residents in the communities to reduce environmental footprints by turning over plastic bottles filled with residual wastes to be used in the Company’s facility that has been making recycled items for years. Items created from these recycled materials include flowerpots, pillow bricks, fences, tables, and chairs.

Meanwhile, RTN had bold and innovative ideas, being the first in the Philippine mining industry to use the bioreactor technology from the Department of Science and Technology (DOST), converting biodegradable wastes into organic fertilizers and soil conditioners.

Considered a game changing breakthrough, the bioreactor produces soil conditioner using household wastes creating impact for mining companies like RTN who need tons of fertilizers to help improve the soil condition in the mined out areas. In Rio Tuba alone, about 64 households and establishments bring in 80 kilos of household wastes per day to be converted to soil conditioners. These soil conditioners are particularly useful for lateritic soil in mining areas that are relatively low in soil nutrients and are not conducive for agriculture, creating an intervention to address the nutrient deficiency of lateritic top soils.

In terms of the disposal of hazardous waste, meanwhile, NAC follows the RA 6969 and its specific provisions on hazardous waste management. In 2020, NAC operations produced over 242,000 kg of hazardous wastes and around 210,000 liters of used oil. The prescribed process for monitoring, storing, and disposing of such wastes were strictly adhered to. NAC also made sure that vendors providing services covering treatment and transport of hazardous wastes are DENR- accredited, with employees trained and equipped to do the job safely.



Waste Management	RTN	TMC	HMC	CMC	TOTAL	Disposal Method
<b>2020</b>						
Biodegradable Waste (kg)	87,200	24,341	24,042	29,063	<b>164,646</b>	21,638 kg processed for Composting, 2,404 kg converted to Bio-organic fertilizer
Hazardous Waste (kg)	80,815	138,498	38,272	65,577	<b>323,162</b>	
Recyclable Waste (kg)	215,120	4,349	827 <sup>[a]</sup>	9,909	<b>230,205</b>	Sold to junk buyer, Recycling/ Landscaping/ Gulayan sa Minahan,
Residual Waste (kg)	79,470	6,492	20,800	11,632	<b>118,394</b>	Landfilling, Granulator/Landscaping/ Landfill
Solid Waste (kg)	381,790	59,523	45,670	50,604	<b>537,587</b>	
Used Oil (Ltrs)	62,100	112,600	38,083 <sup>[b]</sup>	59,202	<b>271,985</b>	Offsite TSD facility
<b>2019</b>						
Biodegradable Waste (kg)	58,940	27,755	37,300	20,151	<b>144,146</b>	Bioreactor Vermicomposting
Hazardous Waste (kg)	111,899	13,120 <sup>[c]</sup>	27,214	48,335	<b>200,568</b>	DENR-Accredited Transporter/ Treater
Recyclable Waste (kg)	221,520	5,310	2,920	10,366	<b>240,116</b>	Materials Recovery Facility Eco Bricks
Residual Waste (kg)	52,210	6,765 <sup>[d]</sup>	28,030	13,155	<b>109,571</b>	Sanitary Landfill
Solid Waste (kg)	332,670	49,241	68,250	43,672	<b>493,833</b>	Materials Recovery Facility Eco Bricks
Used Oil (Ltrs)	84,268	97,200	66,800	41,922	<b>290,190</b>	DENR-Accredited Transporter/ Treater
<b>2018</b>						
Biodegradable Waste (kg)	52,000	14,796	10,940	15,600	<b>93,336</b>	Vermicomposting/ Sanitary Landfill
Hazardous Waste (kg)	122,650	62	2,593	-	<b>125,305</b>	DENR-Accredited Transporter/ Treater
Recyclable Waste (kg)	246,000	2,160	980	5,047	<b>254,187</b>	Materials Recovery Facility
Residual Waste (kg)	53,000	12,524	8,620	13,098	<b>87,242</b>	Sanitary Landfill
Solid Waste (kg)	351,000	29,480	20,540	33,745	<b>434,765</b>	Materials Recovery Facility/ Sanitary Landfill
Used Oil (Ltrs)	85,830	152,496	55,400	81,800	<b>375,526</b>	DENR-Accredited Transporter/ Treater

[a] Significant change from 2019 due to voluntary stoppage of operation on the 2nd quarter of 2020 and early declaration of off season. Water tumblers were also provided to personnel to lessen the use of plastic bottles during meetings and activities.

[b] Decrease in figures were because of the voluntary stoppage of mining operations in the second quarter and the early declaration of off-season due to COVID-19 outbreak in the last quarter of CY 2020.

[c] Figure accounts for treated hazardous waste only

[d] 16,176 in 2019AR

### *Water consumption, discharge, and management*

Water is another essential resource that is used extensively in the mine sites. Each mine site has established its own water management plan, supplemented by key policies and practices on water management and conservation.

For instance, HMC'S in-house Water Purification Station provides an output of 40:60 percent ratio (product/waste). As of year-end 2020, around 1.007M liters or 60% of wastewater were recovered and utilized for laundry and comfort room use. It serves as an alternative source of water and an approach to address water shortage—a best practice expected to be applied at all the mine sites in years to come.

Meanwhile, RTN’s water consumption reduction program includes the reuse of water from recycling ponds – for road watering and product washing, putting up of activated carbon gabions, continuous dredging of sumps and ponds, and planting of grass on slopes to reduce exposed areas.

TMC also established a water treatment facility that generates potable water and implemented a system that redirects water from settling ponds to Hubasan tanks, to be utilized in haul road spraying for dust suppression.

For its part, CMC maximizes the clear water from settling ponds, using them to water the road for dust suppression, for watering the rehabilitation areas, including the plant nurseries. Settling ponds are used to control silt run-off and improve the quality of water at the discharge point. Also, Sewage Treatment Plants (STPs) have been established, while grease traps are placed in kitchen areas and Oil and Water Separators are put up at the motor pool. CMC also placed signages in key areas to encourage and remind people of effective water conservation practices.

Of course, since the mining process includes discharge of large amounts of water, it behooves the Company to monitor, manage and mitigate impacts of effluents. The Company therefore has an Environmental Management System (EMS) to help implement the following:

- ⇒ Monthly and quarterly physical and chemical monitoring of Total Suspended Solids (TSS)
- ⇒ Establishment of activated carbon gabions
- ⇒ Regular dredging of sumps and ponds
- ⇒ Planting of slopes to reduce exposed areas
- ⇒ Vetiver grass planting in ponds for phytoremediation
- ⇒ Using oil-water separator to prevent contamination
- ⇒ Covering of ore stockpiles to minimize silted water
- ⇒ Generation from stockpile areas
- ⇒ In-house water sampling
- ⇒ Emergency response procedures for accidental releases of contaminated water
- ⇒ Construction of a drainage system that directs water/leakages to designated areas of treatment

Water Use and Protection	RTN		TMC		HMC		CMC		TOTAL (cu.m.)
	Water Body	Volume (cu. m.)	Water Body	Volume (cu. m.)	Water Body	Volume (cu. m.)	Water Body	Volume (cu. m.)	
<b>2020</b>									
Extraction	Water wells	1,064,411	Hubasan Creek	157,262	Filtered Springs	16,321	Baliwan Settling pond and area 6	32,383	<b>1,422,161</b>
	Tagpisa Pond	83,193			Kaskag Creek	38,083	Water well	1,934	
								Maraguig watershed	
Discharge	Lower Kinurong	1,910,637	Taganito River <sup>[b]</sup>	35,861,046,919	Hinatuan Passage	29,561	CMC Dinagat	60,957	<b>35,871,554,686</b>
	Lower Togpon	8,496,849 <sup>[a]</sup>			Banug Strait	9,763			
Silt Collected (WMT)	14,136		345,254		100,380		73,394		<b>533,164</b>
<b>2019</b>									
Extraction	Water wells	957,741	Hubasan Creek	80,354	Filtered Springs	28,382	Baliwan Marsh Land	42,000	<b>1,276,824</b>
	Tagpisa Pond	79,675			Kaskag Creek	58,672	Maraguig Watershed	30,000	
Discharge	Lower Kinurong	506,140	Taganito River	0 <sup>[c]</sup>	Hinatuan Passage	159,900	CMC Dinagat	24,365	<b>2,223,979</b>
	Lower Togpon	1,437,865			Banug Strait	95,709			
Silt Collected (WMT)	57,888		3,499		109,451		72,468		<b>243,306</b>
<b>2018</b>									
Extraction	Water wells	783,947	Hubasan Creek	214,604	Filtered Springs	10,065	Baliwan Marsh Land	0	<b>1,190,546</b>
	Tagpisa Pond	92,390			Kaskag Creek	54,185	Maraguig Watershed	35,355	
Discharge	Lower Kinurong	368,784	Taganito River	29,648	Hinatulan Passage	67,152	CMC Dinagat	31,387	<b>1,155,964</b>
	Lower Togpon	648,004			Banug Street	10,989			
Silt Collected (WMT)	SCS & Ponds	23,904	523,956		106,190		Settling ponds and collector sumps	31,387	<b>685,437</b>

[a] Significant difference is due to the increase in rainfall last 2020  
 [b] Water discharge is based from rainfall  
 [c] No available data last 2019

*Climate-related Risks and Opportunities*

NAC understands that the responsible use of resources is intrinsically connected to concerns on climate-related risks and challenges. It is a topic seriously and closely monitored by the NAC Board of Directors and Management Team which therefore established an Enterprise Risk Management (ERM) system that enables the Company to properly identify, assess, and manage such risks.

The Company’s risk management strategy has a section specific to climate-related risks – with action plans, persons responsible for related tasks, and expected timelines to manage the Company’s operations or reduced operation during possible disruptions. The risks are identified based on how it would impact people’s safety, the supply chain, and the reliable supply of energy—ensuring unhampered logistics in and out of the mine sites.

Integral to the ERM is the preparation of both people and facilities for emergency situations – the training of emergency responders, the provision of equipment and technology, and the physical security and redundancy of back-up systems.

Climate-change issues are concerns that NAC shares together with the rest of the industry players, its hosts and nearby communities, and government agencies and regulators. The collaborative strategy it is following aims towards building resilient and sustainable communities and proactively working to protect shared natural resources for the benefit of present and future generations.

**Enabling strong and resilient communities**

*Highlights*

- 134,886 people supported by CSR & SDMP
- PhP31.7 Million expenditure on Livelihood Programs
- 47 People’s Organizations Benefited by Livelihood Programs
- 3,524 members of Peoples’ Organizations supported
- 1,530 patients benefited from Medical Missions Program
- PHP41.5 Million investment on Education Programs
- 3,246 scholars benefited from Education Programs
- PHP32.5 expenditure on Infrastructure Development
- 61 barangays supported by infrastructure projects
- 10,459 IP Population supported by SDMP

COVID-19 Response

PHP58.2 Million expenditure on COVID-19 Response  
 PHP13.7 Million spent on medical supplies and equipment  
 PHP44.5 Million spent on relief goods  
 255,570 households assisted  
 12 hospitals assisted

The value of the strong relationship NAC has built with its host and neighboring communities over the years came to the fore in 2020 as the country faced the unprecedented challenge brought about by the global COVID-19 pandemic.

Recognizing the potential socioeconomic impact that the crisis posed to vulnerable populations, NAC was quick to respond and realigned unutilized Social Development Management Program (SDMP) funds to support the immediate needs of the communities. It strengthened its Corporate Social Responsibility (CSR) initiatives to be responsive and holistic in its support of its host and nearby communities so they may bounce back from the crisis.

SDMP & CSR Spending (Million PhP)	ELEMENT	RTN	TMC	HMC	CMC	TOTAL
<b>2020</b>						
SDMP	Required Spending	36.7	99.4	24.7	47.3	208.4
	Actual Spending	35.5	85.2	24.7	44.8	190.4
CSR	Non-IP Communities	13.2	11.6	5.8	11.3	41.9
	IP Communities	10.7	1	0	0	11.7
<b>2019</b>						
SDMP	Required Spending	34.7	77.2	21.1	39.9	<b>172.9</b>
	Actual Spending	30.1	53.3	22.0	37.4	<b>142.8</b>
CSR	Non-IP Communities	34.9	15.6	10.8	9.0	<b>70.3</b>
	IP Communities	11.5	2.5	0	0	<b>14.0</b>
<b>2018</b>						
SDMP	Required Spending	36.4	64.5	27.5	30.1	<b>158.5</b>
	Actual Spending	46.9	57.2	27.5	29.1	<b>160.7</b>
CSR	Non-IP Communities	42.7	7.7	4.3	7.6	<b>62.3</b>
	IP Communities	10.6	2.3	0	0	<b>12.9</b>

*COVID-19 Response*

NAC’s Operating Companies, together with like-minded organizations, took on the role of first responders to communities in quarantine, expending more than PhP50 Million from realigned SDMP and CSR funds during the early part of the pandemic.

The funds were used in part to buy sacks of rice, food packs, vitamins, and medical supplies, such as alcohol and hand sanitizers, that were distributed to thousands of families and frontliners. Some of the funds were also used to build isolation and disinfecting facilities and to fund the extensive information campaign necessary to educate the communities about the pandemic and how they can be protected from the virus.

While new programs were focused on COVID-19 initiatives and were directed towards the provision of food, PPEs for frontliners, tests and awareness kits on COVID-19 prevention; other projects were directed to strengthen communication like the installation of solar panels and the provision of pocket wifi and computers.

Each of the mine site’s Emergency Response Teams (ERTs) and Community Organizers (COs) were also deployed to help the people cope with the health crisis when movements in the mining communities were restricted and the residents were compelled to stay home.

NAC has responded with appropriate urgency to the situation in the early part of the pandemic. At the same time, the Company understood that communities also needed support to be able to navigate to the “new normal” with resilience and strength. Therefore, certain realigned programs in infrastructure, socio-economic, education, health will be prioritized in 2021.

The fundamental and core strength of each community also needed bolstering with socioeconomic responses that inculcated safety and wellness into people’s lives making them more productive and resilient to economic shocks. As soon as the situation permitted, NAC continued programs on health and wellness as well as livelihood development.

INDICATOR	RTN	TMC	HMC	CMC
Project/ Program name	Support to Bayanihan to Heal As One Act (COVID-19 Pandemic)			
Description of the program	Distribution of food (rice, assorted goods, food packs and drinks), alcohol and face mask for front liners/medical staff.	Realignment of ASDMP funds to assist the communities affected by the community quarantine.	<ul style="list-style-type: none"> <li>• Conducting of IEC</li> <li>• Community disinfection</li> <li>• Provision of medical supplies &amp; PPEs to frontliners</li> <li>• Provision of food packs and test kits to families &amp; households</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of rice/food packs to frontliners</li> <li>• Provision of rice/food packs and Household Assessment of COVID-19 Signs and symptoms [b]</li> <li>• Establishment of Molecular Tech Laborator</li> <li>• Provision of Service Truck and Ambulance for emergency related concern and relief operation of Cagdianao Municipality</li> </ul>

				<ul style="list-style-type: none"> <li>• Honorarium for Health workers</li> <li>• Subsidy for the nurses [b]</li> </ul>
Expenditure	PhP 12,679,617.73 <sup>[a]</sup>	PhP 18,777,808.50	PhP 15,669,485.79	PhP 11,072,697.00
Number of beneficiaries	53,363 household	173,091 household	27,015 households	1,500 households
Impact/ Expected impact	Strengthened social relationship with Local Government Unit and communities.	Resilience of community during the COVID-19 pandemic community quarantine policies	<ul style="list-style-type: none"> <li>• Awareness of community regarding COVID-19</li> <li>• Protection of the health of the frontliners - Assistance of the families affected by lockdowns due to the pandemic</li> </ul>	

[a] with 2019 carry-over budget

[b] Host and neighboring communities

*Promoting Health and Wellness*

The operating companies conducted information and education campaigns to increase awareness of COVID-19 prevention strategies and practices in the mine sites and host communities.

In addition, NAC, in partnership with Taganito HPAL Nickel Corp (THPAL), funded a PhP 28 Million molecular testing laboratory (MTL) in Surigao del Norte as part of their COVID-19 response plan. The molecular laboratory was established for faster diagnostic results and the rapid identification of infected patients. It also enabled faster contact tracing, limiting contagion. The MTL aimed to process at least 2,000 samples at one time using the reverse transcription-polymerase chain reaction (RT-PCR) method.

INDICATOR	RTN	TMC	HMC	CMC
Project/ Program name	Community-Based Health Program	Subsidy health center manpower, and Clean & Green Program	Medical-Dental Mission	Access to Health and Services, Health Facilities and Professionals
Description of the program	<ul style="list-style-type: none"> <li>• Health IEC</li> <li>• Health Insurance and Phil Health Assistance</li> <li>• Medical Assistance</li> <li>• Provision of Medical Equipment and Over</li> </ul>	<ul style="list-style-type: none"> <li>• Support the health services of the barangays</li> <li>• Institutionalize the support to SWMP through</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of free medical-dental services and medicines every quarter in the three host communities through Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of health center facilities and equipment</li> <li>• Assistance to health-related concerns or emergencies</li> <li>• Dental Health Program</li> </ul>

	the Counter (OTC) Medicines	the Clean and Green Program	Medical-Dental Mission	<ul style="list-style-type: none"> <li>• Blood Letting Activity with RHU and Red Cross</li> <li>• Provision of essential medicines <sup>[a]</sup></li> <li>• Provision of health supplies to Senior Citizens &amp; PWD <sup>[a]</sup></li> <li>• Capacity and capability enhancement training and seminar for RHUs <sup>[a]</sup></li> <li>• Assistance to the construction of barangay birthing home kitchens</li> </ul>
Expenditure	PhP 4,363,977.96	PhP 5,225,481.67	PhP 835,433.30	PhP 2,797,801.02
Number of beneficiaries	3,966 Household	18,249 households	1,530 individuals	762 individuals
Impact/Expected impact	Available or increased access to health services	Improved health services and increase of participants in the Clean and Green Program	Low morbidity rate, no need to travel to the city for consultation or medication, lessened medical expenses	Access to health services, health facilities and health professionals

[a] host and neighboring communities

*Strengthening Livelihood Programs*

By enabling the communities through skills training and the provision of start-up resources allows them to rise from the crisis with self-confidence and resilience. This is the sustainable path that NAC aims for in order for the communities to face the “new normal”.

TMC, for instance, offered assistance to farmers in Barangay Sapa, Claver, in Surigao del Norte, to combat the threats to food security and their livelihood as a result of the pandemic. At least 25 members of Sapa Integrated Farmers’ Association (SIFAS) participated in TMC’s farming project that provided funding for livestock raising, and for labor costs in the project’s construction requirements.

For the first phase of the project, 220 ducks were provided by the TMC Community Relations team. Additionally, 13 goats were turned over to the farmers’ group which also had plans to market the goat’s milk and the cheese to be made from the milk. Moreover, the community also plans on converting the goat’s manure and urine into fertilizer and pesticide, while the mature goats can be sold for meat.

TMC continued to support its fishery projects by conducting hands-on training on Milkfish Production and Management, Fish Processing, and Value-Adding marketing techniques. The



Meanwhile, RTN ventured into coffee farming as a livelihood source for eight barangays around Rio Tuba, allotting 200 hectares for the planting of coffee. RTN and sister firm CBNC have allocated Php36 million to support the mobilization of the coffee farming project. With its partner barangays, RTN collaborated with Rocky Mountains Arabica Coffee for the transfer of technology, and with the Palawan Cooperative Union and the Cooperative Development Aide Authority for the training and sharing of best practices in coffee farming. They also got help from coffee farming experts from the Cavite State University—the center of coffee research in the country.

The coffee planting process in this mining community in Rio Tuba uses what is called microbial technology, where the soil is conditioned using organisms and enzymes that make the lateritic soil healthy enough to grow agricultural products. It takes about 4 years for coffee to start yielding beans. Just last year, the communities in Rio Tuba that are in this coffee-growing program successfully made their coffee available for local tasting. The goal is to make this venture sustainable so that, soon, the communities will be able to sell their produce and earn.

In 2020, RTN also made an effort to honor its outstanding SDMP community partners through its first-ever *Gawad Parangal*, conferring awards to individuals and groups that have become part of community growth through 16 years of SDMP. The Gawad Parangal is seen to serve as inspiration to further expand the community’s participation in RTN’s programs.

INDICATOR	RTN	TMC	HMC	CMC
Project/ Program name	Social Enterprise Development Program	Enterprise development and networking	Enterprise Development	Enterprise Development and Networking
Description of the program	<ul style="list-style-type: none"> <li>- Institutional Development, Marketing and Networking, assistance to fisherfolks</li> <li>- Provision of farm inputs (vegetables and fruits) production</li> </ul>	Livelihood programs for Peoples' Organizations like GAMAWA, SIFAS, DAPJA, ALINDAHAW, CREMACO, TACPECCO, TAWETA, CGUS, HAMVA, CAFSPIA, BOLA, HAT and KABAMAS	Provision of one unit brand new delivery service motorcycle and fabrication of one unit service pump boat for water refilling station project of Talavera United Women's Association (TUWA)	<ul style="list-style-type: none"> <li>• Capacity and capability enhancement trainings and seminar for livelihood project beneficiaries</li> <li>• Assistance for the Farmer's Association</li> <li>• Assistance to Regular-Seasonal Workers Association</li> <li>• Assistance to the fishermen associations</li> <li>• Bangus production project</li> <li>• Expansion of tilapia culture project</li> <li>• Construction of additional facility for the Mini Ice Plant and Cold Storage project</li> </ul>

Expenditure	PhP 2,571,483.98	PhP 16,274,198.45	PhP 390,000.00	PhP 7,873,848.57
Number of beneficiaries	785 households	326 individuals	37 individuals	15 Peoples' Organizations
Impact/Expected impact	Higher and income-generating opportunities and sustainable livelihood	An avenue for the communities to enhance and develop their skills and livelihood opportunities that will impact their lives when the mines cease to operate	Extended services to other communities	Development of economically viable alternative source of income, and availability of products and services in the community

*Education*

With the community quarantine restrictions impacting the school system in the country, NAC continued to keep a close eye on the needs of the education sector in its host communities and neighboring areas, as it maintained its support through scholarships, grants, and the provision of tools and equipment.

For instance, TMC donated a school bus for the students of Gigaquit National School of Home Industries (GNSHI) in the Municipality of Gigaquit, Surigao del Norte. The donation was a response to a request made by the school’s General Parents-Teachers Association which cited the school’s growing population and the challenge for students coming from far-flung barangays to attend school.

GNSHI Principal Jose Escabal thanked TMC for its “social responsibility to the people including those from Gigaquit,” saying: “Thank you for everything. Our gratitude over your donation to our school cannot be measured since this is a big help to our parents as they send their children to school.”

Meanwhile, Provincial Governor Francisco T. Matugas noted how TMC has been supporting the province’s programs on education for many years, with activities such as the provision of school supplies and bags, and the donation of school buildings.

Further, TMC has also turned over some 7,172 workbooks worth PhP 2 million to the provincial government of Surigao del Norte for the use of public schools in the province, in support of efforts to help students become “back-to-school ready”. The school materials will also benefit schools in Siargao Island.

INDICATOR	RTN	TMC	HMC	CMC
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Project/ Program name	Educational Assistance Program	College Financial Assistance under the DHNC component, and Full Academic Scholars under the DMTG component	Scholarship program	Access to Education and Educational Support Program
Description of the program	<ul style="list-style-type: none"> <li>• Scholarship, allowances</li> <li>• Provision of school supplies, Internet, Gadgets</li> <li>• Subsidy for Arabic Teacher/Day Care Worker/Para Teacher - Construction of Classroom Building, Comfort Room, Day Care Center, Feeding Center and School Covered Pathway</li> </ul>	Support indigent and deserving students in their pursuit to higher education	Support to scholars from day care to college including ALS through provision of: <ul style="list-style-type: none"> <li>• Free tuition &amp; miscellaneous fees</li> <li>• Monthly living, uniform &amp; book allowances</li> <li>• School supplies and other materials</li> <li>• Sponsorship to Senior High School's training for NC-II certification</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance for the improvement of school facilities</li> <li>• Procurement of learning materials, school supplies, and other related equipment and facilities</li> <li>• Assistance to college scholars</li> <li>• Subsidy to volunteer teachers</li> <li>• TESDA skills development <sup>[b]</sup></li> </ul>
Expenditure	PhP 7,174,772.12	PhP 10,883,892.89	PhP 3,288,707.99	PhP 7,424,089.16
Number of beneficiaries	4,453 <sup>[a]</sup>	403	1287	1,264 <sup>[a]</sup>
Impact/Expected impact	Increased literacy and participatory rate, increased social mobility and the community to become self-reliant.	Support of graduates that will be part of the country's workforce	Increased literacy rate, lessen the number of OSY, provide employment opportunities to residents of the community	Access to education; educational opportunities to members to the community

[a] Teachers and students

[b] Apprenticeship on Heavy Equipment Operation (22 trainees)

### *Disaster Resilience in Vulnerable Communities*

Aside from the various initiatives described above, NAC also provides support for the infrastructure, socio-cultural preservation, and climate-resilience needs of the communities, as these are essential parts of its SDMP.

In particular, the Company's contribution to bolstering communities' disaster response makes a great impact, especially in communities more prone to the impact of climate change.

For example, when the town of Makilala was devastated by an intensity 6.5 earthquake, NAC immediately sent help. Makilala has 38 barangays and is located in the south east of Cotabato

Province. TMC immediately sent its Emergency Response Team (ERT), arriving in the area a day after the quake. The team was among the first responders when Cotabato called for help.

Following suit, and bringing more food and water, were CMC that travelled all the way from Dinagat Islands and HMC from Surigao del Norte.

The expertise of NAC’s ERTs were quickly put to use when they were assigned to Barangay Bato where a deadly landslide occurred. The team transported to safety some 127 residents, together with their remaining possessions and animals such as pigs and pet dogs.

The NAC teams performed first-aid and distributed food packages and drinking water, mosquito nets, and hundreds of meters of blue canvass sheets.

The ERTs regularly and extensively train to be able to respond quickly and efficiently during disasters such as earthquakes and strong typhoons. They are known as reliable first-responders, trained to be constantly prepared, and ready to serve within short notice when communities call for help. ERT members are volunteer-employees from NAC’s mining companies composed of mining engineers and geologists, medical practitioners and first-aiders, heavy equipment operators and carpenters, foresters and environment technologists, and social workers—headed and organized by the Company’s Safety Department.

INDICATOR	RTN	TMC	HMC	CMC
<b>INFRASTRUCTURE</b>				
Project/ Program name	Public Infrastructure Assistance Program	Infrastructure development	Electrification Project	Assistance to Infrastructure Development and Support Services
Description of the program	<ul style="list-style-type: none"> <li>• Construction of "Bahay Tarukan", churches and mosque, comfort room, solar dryer, road</li> <li>• Improvement/ farm to market road</li> <li>• Provision of solar panel, generator set and electrification</li> </ul>	<ul style="list-style-type: none"> <li>• Concreting of pathways in brgy. Sapa, Lapinigan, Wangke and Panatao</li> <li>• Construction of Senior Citizens building and community recreational area in brgy. Urbiztondo</li> <li>• Installation of solar streetlights in brgy. Ladgaron</li> <li>• Construction of Family Life Center in Siargao Island</li> </ul>	Upgrading of Electrical Power system in Brgy. Talavera-transformer, AVR & additional wiring installations	<ul style="list-style-type: none"> <li>• Construction of Farm to Market road</li> <li>• Electrification, construction of pathways</li> </ul>
Expenditure	PhP 6,303,918.78	PhP 12,801,382.92	PhP 1,177,523.10	PhP 7,009,139.75

Number of beneficiaries	10,971 Households	12,279 households	2721 individuals	1315 households
Impact/Expected impact	Supported enterprise and public services	Supported the infrastructure development of the barangays to improve their conditions	Improved power distribution to households, fewer brownouts	Stimulated and facilitated other forms of economic activity such as development of road networks

INDICATOR	RTN	TMC	CMC
<b>WATER</b>			
Project/Program name	Establishment of Water System	Improvement of water system in brgy. Taganito and distribution of water via water lorry in brgy. Cagdianao	Water System
Description of the program	Rehabilitation of water system, installation of jetmatic pumps	Procurement of water system materials in brgy. Taganito, and subsidy to water lorry driver and maintenance of water lorry in brgy. Cagdianao	Improvement of water system Level III– Brgy. Valencia and Boa Improvement of water system Level III - Brgy. Cabiton-an Construction of dam and plumbing works - Brgy. Bayanihan
Expenditure	PhP 1,621,730.93	PhP 1,130,000.00	PhP 4,035,860.46
Number of beneficiaries	9,422 Household	11,027 households	
Impact/Expected impact	Available access to water/access to potable water, decreased waterborne diseases and maintain health sanitation and hygiene.	Improved supply of water and access to domestic water	

INDICATOR	TMC
<b>CLIMATE RESILIENCY</b>	
Project/Program name	Construction of Hayanggabon Coastal Dike (Phase 4)
Description of the program	Protection of households of the barangay from possible storm surge and other weather disturbances
Expenditure	PhP 1,620,385.00
Number of beneficiaries	3,994 households
Impact/Expected impact	Protected households against storm surge and other weather disturbances

INDICATOR	TMC	HMC	CMC
<b>OTHERS</b>			
Project/Program name	Support to socio-cultural preservation activities	Community development assistance to 17	Socio-cultural Activities

trainings conducted in partnership with the Bureau of Fisheries and Aquatic Resources (BFAR)– Region XIII and the Claver Municipal Agriculture Office, was attended by 50 members of Gagmayn’g Mananagat sa Wangke (GAMAWA) and the Bayanihan of Lapinigan Association (BOLA) who learned about bangus bottling and deboning. Their outputs included bottled bangus in corn oil or tomato sauce, and plain or marinated boneless bangus.

For its part, HMC started working with the leadership of the United Fisherfolk Association of Bagong Silang (UFAOBS) and its 90-strong membership in April of last year to address the issues of fishery and livelihood in the mining communities. HMC decided to fund a bangus farming project which was officially launched in January 2020. The bangus project yielded more than 1700 kilos of bangus in its first harvest, which happened during quarantine. The fish was bought by HMC for Php140 per kilo, and 2 kilos of bangus were given to each of the households in the mining community as part of the Company’s relief efforts during the quarantine period.

Furthermore, CMC’s Php 5.6 Million ice plant and cold storage facility was turned-over to the fisherfolk of Gaas Dinagat Fishermen Cooperative (GADIFCO) to fill in a crucial demand for ice blocks in the province of Dinagat Islands. The 30-strong members of this cooperative started earning more from selling ice to other fishermen in the municipality, and in nearby coastal towns. The facility extended the shelf life of the fisherman's catch, while removing the need for them to travel to other areas or spend extra for fuel to buy ice blocks.

Notably, CMC has also launched the “ECOMmunity” initiative seeking to directly engage community stakeholders in the company’s rehabilitation drive. Unveiled through the Company’s Mine Environmental Protection and Enhancement Office (MEPEO), the initiative taps community members from two host and neighboring barangays for the production of some 5,000 seedlings.

The program provided 36 residents of Barangays Valencia and Legaspi with proper training and technical assistance to learn proper methods of seedlings production and maintenance strategies. Some of the seedlings produced were bamboo, and native and fruit bearing trees— all for use in mine rehabilitation programs of the Company.

CMC also introduced sorghum as an alternative to rice in Dinagat Islands to ensure food security amid the pandemic, following the success of a three-month trial run at a rehabilitated mined out area which proved that sorghum can be propagated on a lateritic area, where local farmers have difficulty growing rice and other crops because the soil naturally lacks enough nutrients.

Sorghum — currently being promoted by the Mindanao Development Authority because it is cheaper to produce and yields higher profit than other crops, such as corn — is easier to grow and healthier because it contains less sugar. The company is gearing to promote sorghum and other cash crops for adoption among local farmers after seeing its potentials, stepping-up efforts to protect food security by encouraging the people in the mining communities to consider high-value crops.

		neighboring/non-mining barangays	
Description of the program	Support to the different socio-cultural activities of the municipality and barangays like araw, fiesta, year-end activities among others	provision of financial support to various projects of the 17 neighboring brgys. at 200,000.00 each brgy.	Assistance to repair and improvement of churches and support to religious activities/celebrations
Expenditure	Php 3,959,949.71	Php 3,400,000.00	Php 869,433.18
Number of beneficiaries	40,731 individuals	18,893 individuals	
Impact/Expected impact	Supported socio-cultural activities of the municipality	17 barangays supported with cash grant thereby minimizing the expenses of the BLGUs	

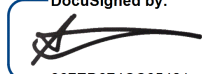
## CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte; Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte and Dinapigue Mining Corporation (DMC) located at Dinapigue, Isabela.

As of December 31,2020, the Company's Total Mineral Reserves in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Ore Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	113,231	75,063	1.45	13.60	1,091
Limonite	Proved and Probable	178,170	119,922	1.05	42.32	1,262

The undersigned is issuing this certification in his capacity as PMRC Competent Person accredited by the Philippine Society of Mining Engineers for mineral reserves declared by the Company for its properties. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, his certification may be subjected to review or scrutiny by other independent Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

DocuSigned by:  
  
 867ED674CC65421...

**ALOYSIUS C. DIAZ**

**Mining Engineer, License No. 980**

**PMRC Competent Person for Coal, Copper and Nickel**

**CP Registration No.: EM-ACP-012-0000980**

**PTR No. 5708909**

**Issued: January 15,2021, Surigao Del Norte**



## CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte; Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte and Dinapigue Mining Corporation (DMC) located at Dinapigue, Isabela.

As of December 31,2020, the Company's Total Mineral Resources in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Mineral Resources	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Measured and Indicated	147,515	97,766	1.51	14.12	1,479
Limonite	Measured and Indicated	220,144	147,543	1.05	42.79	1,550
Saprolite	Inferred	54,817	35,820	1.39	14.29	496
Limonite	Inferred	50,346	32,841	1.04	41.37	341

**Note:**

1. The 'Contained Ni (kT)' is derived from the multiplication of the average Ni% and estimated tonnage (DMT) of the resource. It does not consider mining losses and dilution. Discrepancies may appear due to rounding off of figures in the table.
2. The Ni% and Fe% cut-off grades used in this estimation vary per property.
3. Approximately 4.4 million WMT of the total saprolite resources and 21.3 million WMT of the total limonite resources is within the economic zones of RTN and TMC.

The undersigned is issuing this certification in her capacity as Competent Person accredited by the PMRC and as an active member of the Geological Society of the Philippines for the resource declared by the company for its properties. She is fully aware that, being under the employment of Nickel Asia Corporation, her certification may be subjected to review or scrutiny by other independent Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.



**KRISTINE GRACE CAPUZ VICTORIA**

Geologist, PRC No. 1721

Competent Person for Nickel, CP Reg. No. 19-08-02

PTR No. A-5094666

Issued: Feb.02,2021, Taguig City



S.E.C. Number CS200811530

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

**NICKEL ASIA CORPORATION**

(Company's Full Name)

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

(Company's Address)

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

(Telephone Numbers)

**December 31**

(Fiscal Year Ending)

(month & day)

**SEC Form 17-Q Quarterly Report**

Form Type

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Amendment Delegation (If applicable)

**For the Three Months Ended**

**March 31, 2021**

Period Ended Date

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(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock</b>	<b>13,630,850,117 shares</b>
<b>Short and Long-term Debts</b>	<b>Php2,495.5 million</b>

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

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

PHILIPPINE STOCK EXCHANGE Common Stock

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]



May 10, 2021

**Ms. Janet A. Encarnacion**

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

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

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

Re : SEC Form 17-Q 2021 1st Quarter Report  
X =====X

Gentlemen:

We submit to you herewith a copy of our Company's SEC Form 17-Q Quarterly Report for the period ended March 31, 2021.

We trust everything is in order.

Very truly yours,

**Maria Angela G. Villamor**  
SVP - Chief Financial Officer



**NICKEL ASIA CORPORATION**  
**17-Q QUARTERLY REPORT**  
**MARCH 31, 2021**

**PART I – FINANCIAL INFORMATION**

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**SIGNATURES****INDEX TO FINANCIAL STATEMENTS**

## PART I – FINANCIAL INFORMATION

### Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2021 (with Comparative Audited Statement of Financial Position as at December 31, 2020) and for the three-month period ended March 31, 2021 and 2020 are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2021 and 2020 and as at March 31, 2021 and December 31, 2020:

#### Summary Consolidated Statements of Income

	For the Three Months Ended March 31		Increase (Decrease)	Percent Inc (Dec)
	2021	2020		
<i>(In Thousand Pesos)</i>				
Revenues	₱3,167,580	₱2,209,043	₱958,537	43%
Costs	(1,225,695)	(1,263,912)	(38,217)	-3%
Operating expenses	(624,630)	(504,338)	120,292	24%
Finance income	67,251	86,465	(19,214)	-22%
Finance expenses	(61,146)	(78,565)	(17,419)	-22%
Equity in net income (losses) of associates	114,926	(10,423)	125,349	1203%
Other income (charges) - net	11,026	(234,016)	245,042	105%
Provision for income tax - net	(480,079)	(135,416)	344,663	255%
Net income	₱969,233	₱68,838	₱900,395	1308%
Net income (loss) attributable to:				
Equity holders of the parent	₱584,097	(₱89,341)	₱673,438	754%
Non-controlling interests	385,136	158,179	226,957	143%
	₱969,233	₱68,838	₱900,395	1308%

#### Summary Consolidated Statements of Financial Position

	March 31,	December 31,	Increase (Decrease)	Percent Inc (Dec)
	2021 (Unaudited)	2020 (Audited)		
<i>(In Thousand Pesos)</i>				
Current assets	₱22,182,045	₱22,011,970	₱170,075	1%
Noncurrent assets	26,961,795	26,901,320	60,475	0%
Total assets	₱49,143,840	₱48,913,290	₱230,550	0%
Current liabilities	₱10,161,558	₱10,944,323	(₱782,765)	-7%
Noncurrent liabilities	3,430,770	3,372,178	58,592	2%
Equity attributable to equity holders of the parent	31,611,983	31,042,396	569,587	2%
Non-controlling interests	3,939,529	3,554,393	385,136	11%
Total liabilities and equity	₱49,143,840	₱48,913,290	₱230,550	0%



### Summary Consolidated Statements of Cash Flows

	For the Three Months Ended March 31		Increase (Decrease)	Percent Inc (Dec)
	2021	2020		
<i>(In Thousand Pesos)</i>				
Net cash flows from (used in):				
Operating activities	₱544,655	₱251,911	₱292,744	116%
Investing activities	(426,566)	(510,122)	(83,556)	-16%
Financing activities	(729,519)	(680,563)	48,956	7%
Net increase (decrease) in cash and cash equivalents	(611,430)	(938,774)	(327,344)	-35%
Cash and cash equivalents, beginning	11,835,201	11,943,128	(107,927)	-1%
Cash and cash equivalents, end	₱11,223,771	₱11,004,354	₱219,417	2%

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

#### **RESULTS OF OPERATIONS**

The following discussion and analysis is based on the unaudited interim consolidated financial statements for the three months ended March 31, 2021 and 2020, prepared in conformity with Philippine Accounting Standards 34, *Interim Financial Reporting* and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

#### **Three months ended March 31, 2021 compared with three months ended March 31, 2020**

##### **Revenues**

	2021	2020
	(In Thousands)	
Sale of ore and limestone	₱2,901,043	₱1,938,054
Services and others	189,784	197,290
Power	76,753	73,699
	₱3,167,580	₱2,209,043

Revenues during the first quarter of 2021 was ₱3,167.6 million, higher by ₱958.5 million or 43%, compared to ₱2,209.0 million during the same period last year.

##### *Sale of Ore*

Income during the first quarter of the year was achieved mainly due to higher ore selling prices. London Metal Exchange (LME) nickel price continued its momentum from last year which was both supply-driven, because of the Indonesian ore export ban, and demand-driven, due to the upgrading of forecasts with respect to the Electric Vehicle market.

The average realized export price during the first quarter of 2021 was \$44.86 per wet metric tons (WMT), 56% higher compared to \$28.67 per WMT realized during the same period last year. Likewise, the Group delivered limonite ore to Coral Bay and Taganito HPAL plants, the prices of which are linked to the LME, and realized an average price of \$7.96 per pound of payable nickel during the first quarter compared to \$5.80 per pound of payable nickel in last year's first quarter. Ore shipments to the HPAL

plants accounted for 70% and 75% of the Group's total shipments during the first quarter of 2021 and 2020, respectively.

In terms of shipment volume, the Group sold an aggregate of 2.82 million WMT of nickel ore during the first quarter of 2021 compared to 2.78 million WMT during the same period last year. Limonite ore deliveries to the two processing plants were lower at 1.98 million WMT compared to 2.08 million WMT last year. On the other hand, ore export shipments increased by 20% to 845.0 thousand WMT from 703.3 thousand WMT last year. On a combined basis, the average realized price for both ore exports and ore deliveries to the two plants in the first quarter of 2021 was \$20.64 per WMT compared to \$12.97 per WMT in the same period last year.

The realized peso to US dollar exchange rate for ore sales was ₱48.41 during the first quarter of 2021 compared to ₱50.85 during the same period last year.

On a per mine basis, the Group's Rio Tuba mine exported 734.1 thousand WMT of saprolite ore and delivered 804.6 thousand WMT of limonite ore to the Coral Bay processing plant during the first quarter of 2021. This compares to sales of 652.9 thousand WMT of saprolite ore and 869.1 thousand WMT of limonite ore to the Coral Bay processing plant during the same period last year.

The Group's Taganito mine exported 54.4 thousand WMT of saprolite ore and delivered 1.17 million WMT of limonite ore to the Taganito processing plant during the first quarter of 2021. Compared to the same period last year wherein there was no ore export sales and 1.21 million WMT was delivered to the Taganito processing plant.

The Company's Hinatuan mine shipped limonite ore of 56.5 thousand WMT during the first quarter of 2021 compared to 50.4 thousand WMT during the same period last year. Meanwhile, Cagdianao has no shipments yet during the first quarter of both years.

#### *Sale of Limestone*

Rio Tuba's revenue from sale of limestone was lower by 25% at ₱78.6 million during the first quarter of 2021 compared to ₱105.1 million during the same period last year due to the 27% drop in limestone deliveries.

#### *Services and Others*

##### *Sale of Quarry Materials*

Revenue from sale of quarry material was significantly lower than last year by 96% as a result of lower deliveries of quarry materials to Taganito HPAL Nickel Corporation (THNC). During the first quarter of 2021, Taganito Mining Corporation (TMC) delivered 1,500 cubic centimeter (ccm) only of quarry materials compared to 38,077 ccm during the same period last year.

##### *Services*

Services revenue largely consists of payments made 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 was higher by ₱6.8 million, from ₱182.4 million to ₱189.2 million due to minimal increase in materials handled by RTN for CBNC.

### *Sale of Power*

Revenue from the sale of power amounted to ₱76.8 million during the first quarter of 2021, a little higher than the ₱73.7 million revenue during the same period last year. The increase was attributable to higher energy generated during the first quarter of 2021. The average system availability during the first quarter of 2020 was lower at 68.70% only compared to 86.71% during the first quarter of 2021. The contracted capacity increased as well from 10MW during the first quarter of last year to 17MW during the first quarter of the current year. Effective price for the first quarter of 2020 was at ₱3.15/kWh as against ₱3.80/kWh for the first quarter of 2021.

### **Costs**

Costs went down by 3% or ₱38.2 million, from ₱1,263.9 million to ₱1,225.7 million.

	2021	2020
	(In Thousands)	
Cost of sales	₱1,047,711	₱1,087,905
Services	97,708	97,336
Power generation	80,276	78,671
	₱1,225,695	₱1,263,912

### *Cost of Sales*

Cost of sales decreased by 4% to ₱1,047.7 million from ₱1,087.9 million mainly on account of the lower quarry materials delivered to THNC, lower average fuel price per liter from ₱33/liter to ₱25/liter and delay in the repairs of heavy equipment due to non-arrival of planned repair parts. The Corona Virus Disease (COVID-19) restrictions imposed by the province also caused the delay in the deployment of contractors and hiring of other personnel in the site.

### *Cost of Services*

Cost of services were almost the same at ₱97.7 million and ₱97.3 million during the first quarter of 2021 and 2020, respectively. In terms of volume, the combined materials handled by RTN and TMC decreased by 5%, however, fixed cost such as depreciation increased due to chromite handling.

### *Cost of Power Generation*

Cost of power generation slightly went up by 2% to ₱80.3 million from ₱78.7 million due to the annual preventive maintenance of high voltage equipment and environmental activities conducted during the period.

### **Operating Expenses**

	2021	2020
	(In Thousands)	
General and administrative	₱228,693	₱246,587
Shipping and loading costs	211,871	123,582
Excise taxes and royalties	184,066	134,169
	₱624,630	₱504,338

### *General and Administrative*

General and administrative expenses slid by 7% from ₱246.6 million to ₱228.7 million mainly due to payments of employee separation pays that were not covered by the retirement plan during the first quarter of 2020. Also, the accrual for stock option expense in the first quarter of 2020 was higher

compared to the current period.

#### ***Shipping and Loading Costs***

Shipping and loading costs went up by 71% because of the 20% increase in the volume of ore export and due to the advance ship loading activities conducted by the mines. Landing Craft Transport were already hired for vessels that started loading in March.

#### ***Excise Taxes and Royalties***

Excise taxes and royalties rose by 37% to ₱184.1 million from ₱134.2 million because of higher revenues as a result of higher ore prices and slight increase in volume shipped.

#### **Finance Income**

Finance income was lower by 22% at ₱67.3 million from ₱86.5 million due to lower interest rates and lower short-term cash placements during the current period.

#### **Finance Expenses**

Finance expenses dropped by 22% to ₱61.1 million from ₱78.6 million due to the continuous decline in the London Inter-Bank Offered Rate from 1.23% to 0.25% as a result of the COVID-19 global pandemic. Moreover, domestic borrowing rate fell from an average of 6.5% to an average of 5.75%. The reduced guarantee fee rate from 1% to 0.6% starting September 2020 also contributed to the decline.

#### **Equity in Net Income (Losses) of Associates**

As a result of higher LME prices, the Group recognized income from its equity share in its investments in THNC and CBNC in the amount of ₱114.9 million in the first quarter of 2021 compared to a loss of ₱10.4 million in the same period last year.

#### **Other Income (Charges) - Net**

Other income - net was at ₱11.0 million during the first quarter of 2021 compared to other charges – net of ₱234.0 million during the same period last year. At the onset of the COVID-19 pandemic last year, the Group reported higher mark-to-market losses from its portfolio investments during the first quarter of 2020 which amounted to ₱267.4 million. Although some of these losses were recovered towards the end of last year, the Group recorded mark-to-market losses of ₱104.6 million, particularly from its equity investments, in the first quarter of 2021. Aside from this, the Group recognized gains from foreign exchange movement by ₱91.5 million, and out of which ₱66.2 million pertains to realized gains.

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

The net provision for income tax was higher by 255% 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 ₱969.2 million during the first quarter of 2021 compared to ₱68.8 million during the same period last year. Net of non-controlling interests, the net income attributable to the equity holders of the parent for the first quarter of the current year amounted to ₱584.1 million compared to the attributable loss of ₱89.3 million during the same period last year.

## **STATEMENT OF FINANCIAL POSITION**

Total assets were almost the same at ₱49,143.8 million and ₱48,913.3 million as of March 31, 2021 and December 31, 2020, respectively. Current assets went up by 1% to ₱22,182.0 million from ₱22,012.0 million due to increase in trade and other receivables by ₱311.7 million, inventories by ₱213.6 million and prepayments and other current assets by ₱241.1 million. However, the increase was partially offset by the decrease in cash and cash equivalents due to payments of cash dividends. Noncurrent assets were also the same at ₱26,961.8 million and ₱26,901.3 million as at March 31, 2021 and December 31, 2020, respectively.

Current liabilities was slightly lower by 7% from ₱10,944.3 million to ₱10,161.6 million due to payment of cash dividends and settlement of payables to suppliers. The decrease was partially offset by the increase in income tax payable due to accrual of income tax due at the end of the quarter.

Noncurrent liabilities of ₱3,430.8 million was 2% above of end of last year's ₱3,372.2 million due to additional loans availed by Jobin-SQM, Inc. (JSI) from TBEA International Engineering Co., Ltd. (TBEA) and due to the retirement accrual for the quarter.

Equity net of non-controlling interests grew by 2% to ₱31,612.0 million due to the net income attributable to equity holders of the parent during the first quarter of the current year.

## **STATEMENT OF CASH FLOWS**

Net cash from operating activities during the first quarter of 2021 amounting to ₱544.7 million was higher compared to ₱251.9 million during the same period last year due to higher collections from prior year receivables from the sale of ore and on account of higher revenue during the 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 three months ended March 31, 2021, the net acquisitions of financial assets and property and equipment amounting to ₱4,261.2 million was higher compared to the ₱2,308.3 million incurred during the same period last year due to additional offshore investments acquired by the Parent Company during the period. However, these acquisitions were partially offset by the net proceeds from sale of financial assets amounting to ₱3,901.8 million and ₱2,028.3 million during the first quarter of 2021 and 2020, respectively, since some of the local investments and one offshore account were disposed of during the period in line with the investment strategy of the Parent Company.

For cash used in financing activities, compared to last year, there were no acquisitions of treasury stocks during the first quarter of 2021. However, the cash dividends paid to noncontrolling interest during the first quarter of the current year was higher at ₱700.0 million compared to ₱640.0 million in the same period last year. JSI also availed additional loans from TBEA amounting to ₱13.4 million during the current period.

As at March 31, 2021 and 2020, cash and cash equivalents amounted to ₱11,223.8 million and ₱11,004.4 million, respectively.

## **KEY PERFORMANCE INDICATORS**

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

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

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

The average cost per volume of ore sold for the first quarter of 2021 was ₱560.80 per WMT on the basis of aggregate costs of ₱1,583.9 million and total sales volume of 2.82 million WMT of ore. This compares to ₱529.43 per WMT during the first quarter of 2020 on the basis of aggregate costs of ₱1,473.9 million and total sales volume of 2.78 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 results of operations attributable to equity holders of the Parent Company for the first quarter of 2021 was ₱584.1 million income compared to ₱89.3 million loss 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 quarter of 2021 and 2020, the open hectares per million WMT sold was 102.38 and 104.27, respectively.

### **4) FREQUENCY RATE**

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

## **Liquidity and Capital Resources**

As at March 31, 2021 and December 31, 2020, the Group's principal source of liquidity was cash from operations. TMC incurred long-term debt to finance the construction of the Taganito pier facilities. TMC receives income from THNC under throughput agreement for the use of the pier facilities. The revenues that TMC receives from THNC under the throughput agreement have typically been sufficient to service its long-term debt. In addition, the Group also incurred long-term debt to finance the solar project of JSI and the geothermal exploration and evaluation assets of Mindoro Geothermal Power Corporation (MGPC). Any revenue that will be earned by JSI and MGPC upon start of or during their commercial operations will be used to pay-off the debt.

As at March 31, 2021 and December 31, 2020, the Group's working capital, defined as the difference between the current assets and current liabilities, was ₱12,020.5 million and ₱11,067.6 million, respectively. NAC expects to meet the working capital, capital expenditure and investment requirements from the cash flow coming from operations and pay-off the debts that the Group incurred to finance the construction of pier facilities at the Taganito properties and Emerging Power Inc.'s (EPI) solar project and other project development costs. The Group may also from time to time seek other sources of funding, which may include debt or equity financings, depending on the financing needs and market conditions.

### **Qualitative and Quantitative Disclosures about Market Risk**

#### *Commodity Price Risk*

The price of nickel is subject to fluctuations driven primarily by changes in global demand and global production of similar and competitive mineral products. This, therefore, required the Group to change the pricing mechanism on the sale of saprolite ore to Japanese customers, which was traditionally linked to LME prices. Effective April 1, 2014, the pricing of saprolite ore to Japan was therefore changed to a negotiated price per WMT of ore, similar to the pricing of ore to China. The price of limonite ore is closely correlated to international iron ore price index. The prices of nickel ore delivered to CBNC and THNC are determined based on a payable percentage of the nickel contained in the ore delivered and a formula related to LME prices over the period the nickel ore was delivered. To mitigate the impact of such price movements, the Company may opt to enter into commodity put option contracts.

#### *Foreign Currency Risk*

The foreign currency risk results primarily from movements of the peso against the US dollar on transactions in currencies other than Peso. Such exposure arises mainly from cash and cash equivalents, financial assets in debt and equity securities, long-term debt and sales of beneficiated nickel ore denominated in US dollar. Because almost all of the revenues are earned in US dollar while most of the expenses are paid in Peso, appreciation of the Peso against the US dollar effectively reduces the revenue without a corresponding reduction in the expenses and can result in a reduction in the net income. In addition, because a portion of the cash and cash equivalents, financial assets in debt and equity securities and long-term debt are denominated in US dollar, the appreciation of the peso against the US dollar reduces the value of the total assets and liabilities in peso terms in the consolidated financial statements. Currently, the Group is not a party to any foreign currency swap agreements and the Group's policy is not to hedge foreign currency exchange risk.

To mitigate the effect of foreign currency risk, the Group will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign-currency denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

#### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the quoted equity securities owned by the Group. The Group's exposure to equity price risk relates primarily to the financial assets in various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price and market value of the assets are monitored regularly to determine impact in the financial position.

### **Seasonality of Operations**

Mining operations at the majority of the Group's mines are suspended and are often unable to load ore into shipping vessels during the rainy season. This seasonality results in quarter-to-quarter volatility in the Group's operating results with more revenue being earned and more expenses being incurred in the second and third fiscal quarters than in the first and fourth fiscal quarters.

### **Off-balance Sheet Arrangements**

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company solidarily with EPI guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC.

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. In both quarters, HMC's tonnage consists 2% of the Group's total volume shipped.

#### ***COVID-19 Outbreak***

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, Presidential Proclamation No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021.

These have caused disruptions to businesses and economic activities; however, the Group has determined that these series of events have not materially affected its financial position as at March 31, 2021 and its financial performance and cash flows for the period then ended.

As at May 6, 2021, NCR is still under modified enhanced community quarantine.

As at March 31, 2021, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;



- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
- Seasonal aspects that had a material impact on the Group's results of operations; and
- Material changes in the financial statements of the Group for the periods ended March 31, 2021 and December 31, 2020, except those mentioned in the preceding.
- Known event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation that have not been booked, although the Group could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**PART II - FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**

	<b>2021</b>	2020
<i>A. Liquidity analysis ratios</i>		
Current ratio or working capital ratio	<b>2.18</b>	2.29
Quick ratio	<b>1.82</b>	1.78
Solvency ratio	<b>3.62</b>	3.85
<i>B. Financial leverage ratios</i>		
Debt ratio	<b>0.28</b>	0.26
Debt-to-equity ratio	<b>0.38</b>	0.35
Asset-to-equity ratio	<b>1.38</b>	1.35
Interest coverage ratio	<b>28.88</b>	4.32
<i>C. Profitability ratios</i>		
Net profit margin	<b>0.31</b>	0.03
Return on assets	<b>0.02</b>	0.00
Return on equity	<b>0.03</b>	0.00
Gross profit margin	<b>0.61</b>	0.43
Price/earnings ratio	<b>125.00</b>	(155.00)

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **NICKEL ASIA CORPORATION**

By:



Martin Antonio G. Zamora  
President and Chief Executive Officer

May 10, 2021



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

May 10, 2021

**NICKEL ASIA CORPORATION**  
SEC FORM 17-Q  
INDEX TO FINANCIAL STATEMENTS  
MARCH 31, 2021

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Interim Consolidated Statements of Financial Position as at March 31, 2021 and  
December 31, 2020

Interim Consolidated Statements of Income for the three-month period ended  
March 31, 2021 and 2020

Interim Consolidated Statements of Comprehensive Income for the three-month period ended  
March 31, 2021 and 2020

Interim Consolidated Statements of Changes in Equity for the three-month period ended  
March 31, 2021 and 2020

Interim Consolidated Statements of Cash Flows for the three-month period ended  
March 31, 2021 and 2020

Notes to Consolidated Financial Statements

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## NICKEL ASIA CORPORATION AND SUBSIDIARIES

### INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2021

(With Comparative Audited Figures as at December 31, 2020)

(Amounts in Thousands)

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P11,223,771	P11,835,201
Trade and other receivables (Notes 5 and 30)	1,749,356	1,438,920
Inventories (Note 6)	3,143,927	2,930,348
Financial assets at (Note 7):		
Fair value through profit or loss (FVTPL)	2,981,510	2,846,822
Fair value through other comprehensive income (FVOCI)	2,450,487	2,548,760
Amortized cost	80,000	100,000
Prepayments and other current assets	552,994	311,919
<b>Total Current Assets</b>	<b>22,182,045</b>	<b>22,011,970</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	16,784,678	16,889,585
Investments in associates (Note 9)	3,359,863	3,193,911
Geothermal exploration and evaluation assets (Note 10)	1,827,433	1,819,859
Financial assets at - net of current portion (Note 7):		
FVTPL	814,716	906,626
Amortized cost	110,000	110,000
Deferred income tax assets - net	578,667	607,264
Other noncurrent assets	3,486,438	3,374,075
<b>Total Noncurrent Assets</b>	<b>26,961,795</b>	<b>26,901,320</b>
<b>TOTAL ASSETS</b>	<b>P49,143,840</b>	<b>P48,913,290</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 12 and 30)	P6,809,908	P8,033,675
Short-term debts (Note 13)	1,495,413	1,492,654
Income tax payable	1,471,507	1,034,281
Other current liability	261,691	261,691
Current portion of:		
Long-term debt (Notes 13 and 30)	84,928	84,040
Lease liabilities (Note 31)	31,111	30,982
Long-term payable	7,000	7,000
<b>Total Current Liabilities</b>	<b>10,161,558</b>	<b>10,944,323</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debt (Notes 13 and 30)	915,193	893,409
Lease liabilities (Note 31)	578,449	584,922
Deferred income	45,042	46,089
Long-term payable	6,243	6,093
Pension liability	712,854	676,087
Provision for mine rehabilitation and decommissioning (Note 14)	667,105	664,379
Deferred income tax liabilities	505,884	501,199
<b>Total Noncurrent Liabilities</b>	<b>3,430,770</b>	<b>3,372,178</b>
<b>Total Liabilities</b>	<b>13,592,328</b>	<b>14,316,501</b>

(Forward)

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 15)	₱6,849,836	₱6,849,836
Additional paid-in capital	8,271,900	8,271,900
Other components of equity:		
Cost of share-based payment plan (Note 16)	449,041	441,589
Share in cumulative translation adjustment (Note 9)	427,914	381,991
Asset revaluation surplus	30,853	30,948
Net valuation gains (losses) on financial assets at FVOCI	(10,114)	57,771
Retained earnings:		
Unappropriated	15,536,617	14,952,425
Appropriated (Note 15)	189,950	189,950
Treasury stock (Note 15)	(134,014)	(134,014)
	<b>31,611,983</b>	<b>31,042,396</b>
<b>Non-controlling Interests (NCI)</b>	<b>3,939,529</b>	<b>3,554,393</b>
<b>Total Equity</b>	<b>35,551,512</b>	<b>34,596,789</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱49,143,840</b>	<b>₱48,913,290</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(Amounts in Thousands, Except Earnings per Share)**

	2021	2020
	(Unaudited)	
<b>REVENUES</b> (Notes 29 and 30)		
Sale of ore and limestone	<b>₱2,901,043</b>	₱1,938,054
Services and others	<b>189,784</b>	197,290
Sale of power	<b>76,753</b>	73,699
	<b>3,167,580</b>	2,209,043
<b>COSTS</b>		
Cost of sales (Note 18)	<b>1,047,711</b>	1,087,905
Services (Note 19)	<b>97,708</b>	97,336
Power generation (Note 20)	<b>80,276</b>	78,671
	<b>1,225,695</b>	1,263,912
<b>OPERATING EXPENSES</b>		
General and administrative (Note 21)	<b>228,693</b>	246,587
Shipping and loading costs (Note 22)	<b>211,871</b>	123,582
Excise taxes and royalties (Note 23)	<b>184,066</b>	134,169
	<b>624,630</b>	504,338
<b>FINANCE INCOME</b> (Note 26)	<b>67,251</b>	86,465
<b>FINANCE EXPENSES</b> (Note 27)	<b>(61,146)</b>	(78,565)
<b>EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES</b> (Note 9)	<b>114,926</b>	(10,423)
<b>OTHER INCOME (CHARGES) – Net</b> (Note 28)	<b>11,026</b>	(234,016)
<b>INCOME BEFORE INCOME TAX</b>	<b>1,449,312</b>	204,254
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 32)		
Current	<b>443,349</b>	168,106
Deferred	<b>36,730</b>	(32,690)
	<b>480,079</b>	135,416
<b>NET INCOME</b>	<b>₱969,233</b>	₱68,838
Net income (loss) attributable to:		
Equity holders of the parent	<b>₱584,097</b>	(₱89,341)
NCI	<b>385,136</b>	158,179
	<b>₱969,233</b>	₱68,838
<b>Basic/Diluted Earnings (Loss) Per Share</b> (EPS; Note 17)	<b>₱0.04</b>	(₱0.01)

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(Amounts in Thousands)**

	2021	2020
	(Unaudited)	
<b>NET INCOME</b>	<b>₱969,233</b>	<b>₱68,838</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:</i>		
Share in translation adjustment of associates	45,923	3,905
Net valuation losses on financial assets at FVOCI	<b>(67,885)</b>	<b>(60,069)</b>
Net other comprehensive loss to be reclassified to consolidated statements of income in subsequent periods	<b>(21,962)</b>	<b>(56,164)</b>
<i>Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:</i>		
Asset revaluation surplus	<b>(95)</b>	<b>(95)</b>
<b>TOTAL OTHER COMPREHENSIVE LOSS - NET OF TAX</b>	<b>(22,057)</b>	<b>(56,259)</b>
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>₱947,176</b>	<b>₱12,579</b>
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	<b>₱562,040</b>	<b>(₱145,600)</b>
NCI	<b>385,136</b>	<b>158,179</b>
	<b>₱947,176</b>	<b>₱12,579</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent										Total	NCI	Total
	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 (Losses) on Financial Assets at FVOCI	Asset Revaluation Surplus	Retained Earnings		Treasury Stock (Note 15)				
						Unappropriated	Appropriated (Note 15)						
<b>Balances at December 31, 2020</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱381,991</b>	<b>₱441,589</b>	<b>₱57,771</b>	<b>₱30,948</b>	<b>₱14,952,425</b>	<b>₱189,950</b>	<b>(₱134,014)</b>	<b>₱31,042,396</b>	<b>₱3,554,393</b>	<b>₱34,596,789</b>	
Net income	-	-	-	-	-	-	584,097	-	-	584,097	385,136	969,233	
Other comprehensive income (loss)	-	-	45,923	-	(67,885)	(95)	-	-	-	(22,057)	-	(22,057)	
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>45,923</b>	<b>-</b>	<b>(67,885)</b>	<b>(95)</b>	<b>584,097</b>	<b>-</b>	<b>-</b>	<b>562,040</b>	<b>385,136</b>	<b>947,176</b>	
Cost of share-based payment plan (Note 16)	-	-	-	7,452	-	-	-	-	-	7,452	-	7,452	
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	95	-	-	95	-	95	
<b>Balances at March 31, 2021 (Unaudited)</b>	<b>₱6,849,836</b>	<b>₱8,271,900</b>	<b>₱427,914</b>	<b>₱449,041</b>	<b>(₱10,114)</b>	<b>₱30,853</b>	<b>₱15,536,617</b>	<b>₱189,950</b>	<b>(₱134,014)</b>	<b>₱31,611,983</b>	<b>₱3,939,529</b>	<b>₱35,551,512</b>	

See accompanying Notes to Unaudited Consolidated Financial Statements.

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	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		Treasury Stock	Total	NCI	Total
						Unappropriated	Appropriated (Note 15)					
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 (loss)	-	-	-	-	-	-	(89,341)	-	-	(89,341)	158,179	68,838
Other comprehensive income (loss)	-	-	3,905	-	(60,069)	(95)	-	-	-	(56,259)	-	(56,259)
Total comprehensive income (loss)	-	-	3,905	-	(60,069)	(95)	(89,341)	-	-	(145,600)	158,179	12,579
Cost of share-based payment plan	-	-	-	19,465	-	-	-	-	-	19,465	-	19,465
Acquisitions of treasury stock	-	-	-	-	-	-	-	-	(42,832)	(42,832)	-	(42,832)
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	95	-	-	95	-	95
Balances at March 31, 2020 (Unaudited)	₱6,849,836	₱8,262,455	₱616,540	₱389,987	(₱27,826)	₱31,236	₱13,624,137	₱1,585,576	(₱130,782)	₱31,201,159	₱3,919,409	₱35,120,568

See accompanying Notes to Unaudited Consolidated Financial Statements.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
**(Amounts in Thousands)**

	2021	2020
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱1,449,312	₱204,254
Adjustments for:		
Depreciation, amortization and depletion (Notes 8 and 25)	373,648	364,115
Equity in net losses (gains) of associates (Note 9)	(114,926)	10,423
Loss (gain) on:		
Changes in fair value of financial assets at FVTPL (Notes 7 and 28)	104,642	267,436
Sale of financial assets at FVOCI (Note 28)	(1,088)	(6,400)
Interest income (Note 26)	(67,251)	(86,465)
Interest expense (Notes 13 and 27)	35,478	44,578
Movements in pension liability	30,593	18,480
Accretion of interest on:		
Lease liabilities (Notes 27 and 31)	13,625	13,414
Provision for mine rehabilitation and decommissioning (Notes 14 and 27)	2,726	3,413
Long-term payable (Note 27)	150	198
Unrealized foreign exchange losses (gains) - net	(12,473)	165
Cost of share-based payment plan (Notes 16 and 24)	7,452	19,465
Dividend income (Notes 7 and 28)	(4,374)	(5,719)
Operating income before working capital changes	1,817,514	847,357
Increase in:		
Trade and other receivables	(296,698)	(79,300)
Inventories	(213,579)	(200,108)
Prepayments and other current assets	(247,198)	(163,110)
Decrease in trade and other payables	(515,384)	(152,928)
Net cash flows from operating activities	544,655	251,911
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at (Note 7):		
FVOCI	(2,180,080)	(1,755,675)
FVTPL	(1,818,723)	(422,563)
Property and equipment (Note 8)	(262,392)	(130,028)
Proceeds from sale of:		
Financial assets at (Note 7):		
FVOCI	2,208,818	1,556,765
FVTPL	1,672,952	377,313
Amortized cost	20,000	94,217
Increase in:		
Other noncurrent assets	(117,454)	(316,359)
Geothermal exploration and evaluation assets	(7,574)	(6,056)
Interest received	54,876	87,345
Dividends received	3,011	4,919
Net cash flows used in investing activities	(426,566)	(510,122)

(Forward)

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	2021	2020
	(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Cash dividends	(P700,000)	(P640,000)
Interest	(21,858)	(24,520)
Principal portion of lease liabilities (Note 31)	(19,969)	(12,775)
Availments of long-term debt	13,356	-
Increase (decrease) in:		
Deferred income	(1,048)	(1,048)
Other current liability	-	40,612
Acquisitions of treasury stock	-	(42,832)
Net cash flows used in financing activities	(729,519)	(680,563)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(611,430)</b>	<b>(938,774)</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>11,835,201</b>	<b>11,943,128</b>
<b>CASH AND CASH EQUIVALENTS AT MARCH 31 (Note 4)</b>	<b>P11,223,771</b>	<b>P11,004,354</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

## **NICKEL ASIA CORPORATION AND SUBSIDIARIES**

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### **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.

*CDTN Services Company Inc. (CDTN)*

CDTN was registered with the SEC on December 21, 2020, is a 100% owned subsidiary of the Parent Company and is primarily engaged in general engineering construction, contracting and machinery, and supply sales business in all its phases, extend and receive any contracts or assignments or contracts related thereto or connected therewith, and manufacture and furnish building materials and supplies. It is also engaged in the handling of materials in connection with construction or manufacturing, warehousing, distribution or disposal activities, or other similar activities.

*Falck Exp Inc. (FEI)*

FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (TMC), and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue was approved. Final dissolution will take place after the approval of FEI's application with the SEC. As at May 6, 2021, FEI is still waiting for the approval of SEC.

*Cordillera Exploration Co., Inc. (CExCI)*

CExCI was registered with the SEC on October 19, 1994, is a 71.25% owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. CExCI is currently not engaged in any development or commercial production activities.

*Newminco Pacific Mining Corporation (Newminco)*

Newminco was registered with the SEC on October 9, 2006, is a 71.25% owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. Newminco is currently not engaged in any development or commercial production activities.

*Taganito Mining Corporation*

TMC was registered with the SEC on March 4, 1987, is a 65% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. TMC also provides services which involves the handling, hauling and transportation of materials required in the processing operations of Taganito HPAL Nickel Corporation (THNC).

*Rio Tuba Nickel Mining Corporation (RTN)*

RTN was registered with the SEC on July 15, 1969, is a 60% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. RTN also provides services

which involves the handling, hauling and transportation of materials required in the processing operations of Coral Bay Nickel Corporation (CBNC).

*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 in December 2018. JSI's Phase III-A for 30MW started construction in mid-2020 and Phase III-B for 38MW will be implemented in the latter half of 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.

Coronavirus Disease (COVID-19) Outbreak

The existence of COVID-19 was confirmed in January 2020 and has spread across different countries including the Philippines. In a move to contain the outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring State of Calamity throughout the Philippines and imposed community quarantine throughout the Philippines. On September 16, 2020, Presidential Proclamation No. 1021 was signed, extending the period of State of Calamity throughout the Philippines until September 12, 2021. These have caused disruptions to businesses and economic activities; however, the Group has determined that these series of events have not materially affected its financial position as at March 31, 2021 and its financial performance and cash flows for the period then ended.

As at May 6, 2021, NCR is still under modified enhanced community quarantine.

The interim consolidated financial statements as at March 31, 2021 and December 31, 2020 and for the three-month period ended March 31, 2021 and 2020, were authorized for issuance by the Parent Company's BOD on May 6, 2021.



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

### Basis of Preparation

The accompanying interim consolidated financial statements of the Group as at March 31, 2021 and for the three-month period ended March 31, 2021 and 2020 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, 2020.

### Basis of Consolidation

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

	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2021	March 31, 2020
<i>Subsidiaries</i>				
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%
CDTN (b)	Philippines	Services	100.00%	–
FEI (c)	Philippines	Mining	88.00%	88.00%
CExCI	Philippines	Mining	71.25%	71.25%
Newminco (d)	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 (e)	Philippines	Renewable Energy Developer	86.29%	86.29%
BHI (e)	Philippines	Services	86.29%	86.29%
NPPGC (e)	Philippines	Power Generation	86.29%	86.29%
JSI (e, f)	Philippines	Power Generation	82.87%	86.29%
BGI (d)	Philippines	Power Generation	51.77%	51.77%
<i>Associates</i>				
THNC	Philippines	Manufacturing	10.00%	10.00%
CBNC	Philippines	Manufacturing	10.00%	10.00%

(a) Indirect ownership through HMC

(b) Incorporated on December 21, 2020

(c) Indirect ownership through HMC, CMC and TMC

(d) Indirect ownership through CExCI

(e) Indirect ownership through EPI

(f) 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, 2020, except for the adoption of the following amendments to existing standards and/or interpretations, which were effective beginning January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments have no impact on the financial statements of the Group.

#### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

##### *Effective beginning on or after January 1, 2022:*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a First-Time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

##### *Effective beginning on or after January 1, 2023:*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- 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 2021. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

### 3. Seasonality of Operations

Mining operations at the majority of the Group's mines are suspended and are often unable to load ore into shipping vessels during the rainy season. This seasonality results in quarter-to-quarter volatility in the Group's operating results with more revenue being earned and more expenses being incurred in the second and third fiscal quarters than in the first and fourth fiscal quarters.

### 4. Cash and Cash Equivalents

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and with banks	₱3,707,182	₱2,034,084
Cash under managed funds	1,270,520	1,634,697
Short-term cash investments	6,246,069	8,166,420
	<b>₱11,223,771</b>	<b>₱11,835,201</b>

### 5. Trade and Other Receivables

Trade and other receivables amounting to ₱33.8 million as at March 31, 2021 and December 31, 2020, were impaired and fully provided for with allowance for expected credit losses (ECL).

The aging analysis of the Group's trade and other receivables as at March 31, 2021 and December 31, 2020 are summarized below:

March 31, 2021 (Unaudited)	Neither Past Due Nor Impaired (30 days)	Past Due But Not Impaired (31-180 days)	Past Due and Individually Impaired (> 180 days)	Total
<b>Trade and other receivables:</b>				
Trade (see Note 30)	₱989,905	₱209,998	₱19,995	₱1,219,898
Current portion of loan receivable	255,411	-	-	255,411
Interest receivable	36,524	-	-	36,524
Advances to officers and employees	29,697	4,101	95	33,893
Amounts owed by related parties (see Note 30)	1,730	-	5,162	6,892
Others	164,772	57,218	8,598	230,588
<b>Total</b>	<b>₱1,478,039</b>	<b>₱271,317</b>	<b>₱33,850</b>	<b>₱1,783,206</b>

December 31, 2020 (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)	₱822,395	₱169,426	₱19,911	₱1,011,732
Current portion of loan receivable	255,411	–	–	255,411
Interest receivable	24,150	–	–	24,150
Advances to officers and employees	26,695	3,754	288	30,737
Amounts owed by related parties (see Note 30)	2,960	–	4,228	7,188
Others	112,155	21,974	9,338	143,467
<b>Total</b>	<b>₱1,243,766</b>	<b>₱195,154</b>	<b>₱33,765</b>	<b>₱1,472,685</b>

## 6. Inventories

As at March 31, 2021 and December 31, 2020, inventories amounting to ₱95.3 million and ₱111.7 million, respectively, were assessed to be impaired and were provided for with allowance for impairment losses. There was no provision for and reversal of allowance for impairment losses on inventories for the three months ended March 31, 2021 and 2020.

As at March 31, 2021 and December 31, 2020, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱672.1 million and ₱561.4 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱315.5 million and ₱398.4 million, respectively.

## 7. Financial Assets

	March 31, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Quoted instruments:						
Debt securities	₱1,778,342	₱2,450,487	₱190,000	₱1,826,274	₱2,548,760	₱210,000
Equity securities	1,522,201	–	–	1,431,491	–	–
Unquoted equity instruments						
	495,683	–	–	495,683	–	–
	<b>₱3,796,226</b>	<b>₱2,450,487</b>	<b>₱190,000</b>	<b>₱3,753,448</b>	<b>₱2,548,760</b>	<b>₱210,000</b>

The Group's financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, mutual funds, golf club shares and debt securities which are either unquoted or with quoted market prices. Quoted and unquoted instruments are carried either at fair market value or at amortized cost as at the end of the financial reporting period.

The movements in financial assets follow:

	March 31, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Financial Assets at			Financial Assets at		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
Balances at January 1	₱3,753,448	₱2,548,760	₱210,000	₱2,502,549	₱2,730,168	₱454,217
Additions	1,818,723	2,180,080	-	3,251,019	4,639,845	-
Disposals	(1,672,952)	(2,207,730)	-	(1,947,411)	(4,837,255)	-
Redemption	-	-	(20,000)	-	-	(244,217)
Reclassification	(11,888)	(2,441)	-	-	-	-
Effect of changes in foreign exchange rate	13,537	8,254	-	(10,909)	(7,543)	-
Net valuation gains (losses) on financial assets	(104,642)	(76,436)	-	(41,800)	23,545	-
Balances at end of period	3,796,226	2,450,487	190,000	3,753,448	2,548,760	210,000
Less noncurrent portion	814,716	-	110,000	906,626	-	110,000
Current portion	₱2,981,510	₱2,450,487	₱80,000	₱2,846,822	₱2,548,760	₱100,000

For the three months ended March 31, 2021 and 2020, dividend income from equity securities amounted to ₱4.4 million and ₱5.7 million, respectively (see Note 28), while interest income from debt securities amounted to ₱58.6 million and ₱36.1 million, respectively (see Note 26).

## 8. Property and Equipment

During the three-month period ended March 31, 2021 and 2020, the Group acquired assets with a cost of ₱262.4 million and ₱130.0 million, respectively, including construction in-progress.

Depreciation, amortization and depletion expense for the three months ended March 31, 2021 and 2020 amounted to ₱368.6 million and ₱361.3 million, respectively (see Note 25).

As at March 31, 2021 and December 31, 2020, there were no property and equipment pledged as collateral for the Group's borrowings.

## 9. Investments in Associates

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
THNC	₱2,430,510	₱2,346,652
CBNC	929,353	847,259
	₱3,359,863	₱3,193,911

The movements in investments in associates follow:

	March 31, 2021 (Unaudited)			December 31, 2020 (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	(19,854)	39,092	19,238	(248,188)	76,979	(171,209)
Equity in net income (losses)	61,312	53,614	114,926	228,334	(37,887)	190,447
	41,458	92,706	134,164	(19,854)	39,092	19,238
Share in cumulative translation adjustment:						
Balances at January 1	391,806	83,757	475,563	501,872	229,962	731,834
Movements	22,546	28,480	51,026	(110,066)	(146,205)	(256,271)
	414,352	112,237	526,589	391,806	83,757	475,563
Balances at end of period	₱2,430,510	₱929,353	₱3,359,863	₱2,346,652	₱847,259	₱3,193,911

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱98.7 million and ₱93.6 million as at March 31, 2021 and December 31, 2020, 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 ₱21,924.1 million and ₱27,560.6 million, respectively, as at March 31, 2021, and ₱21,085.5 million and ₱26,739.6 million, respectively, as at December 31, 2020. The results of THNC's and CBNC's operations were net income of ₱613.1 million and ₱536.1 million, respectively, for the three months ended March 31, 2021, and net loss of ₱16.1 million and ₱88.1 million, respectively, for the three months ended March 31, 2020. The Parent Company's share in cumulative translation adjustment amounted to ₱427.9 million and ₱382.0 million as at March 31, 2021 and December 31, 2020, respectively, and its equity in associates amounted to a net income of ₱114.9 million and a net loss of ₱10.4 million for the three months ended March 31, 2021 and 2020, respectively.



## 10. Geothermal Exploration and Evaluation Assets

Geothermal exploration and evaluation assets represent the accumulated costs incurred in connection with the exploration and development activities for the Montelago Geothermal Project. The recovery of these costs depends upon determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities.

As at March 31, 2021 and December 31, 2020, 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 ₱49.4 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next financial reporting period, were shown as part of "Inventories" as at March 31, 2021 and December 31, 2020, and there were no deliveries of long-term stockpile inventory to CBNC for the three months ended March 31, 2021 and 2020.

## 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 (OGIPL) 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. Proceeds of the loan drawdowns were used by EPI to settle the promissory notes under the original SBC loan facility, which matured in 2019.

At maturity date, EPI requested another approval from SBC for the renewal of their original loan facility to the extent of ₱1,500.0 million which was approved on September 29, 2020. 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:

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

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Loans payable	₱1,500,000	₱1,500,000
Less unamortized debt issue cost	(4,587)	(7,346)
Balances at end of period	₱1,495,413	₱1,492,654

Interest incurred in connection with the loans amounted to ₱24.3 million and ₱27.4 million for the three months ended March 31, 2021 and 2020, respectively (see Note 27).

There were no capitalized borrowing costs pertaining to short-term debts for the three months ended March 31, 2021 and 2020.

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI;

suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise, vis-a-vis such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at March 31, 2021 and December 31, 2020, EPI has been compliant with the covenants contained in the loan facility and agreements.

Long-term debts

Long-term debts of the following subsidiaries are as follows:

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
TMC	<b>₱891,739</b>	₱882,423
JSI	<b>108,382</b>	95,026
	<b>1,000,121</b>	977,449
Less noncurrent portion:		
TMC	<b>806,811</b>	798,383
JSI	<b>108,382</b>	95,026
	<b>915,193</b>	893,409
Current portion	<b>₱84,928</b>	₱84,040

TMC Loan

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 March 31, 2021 and December 31, 2020, TMC is in compliance with the restrictions.

Interest expense for the three months ended March 31, 2021 and 2020 amounted to ₱5.0 million and ₱10.2 million, respectively (see Notes 27 and 30).

As at March 31, 2021 and December 31, 2020, the carrying amount of long-term debt with THNC amounted to ₱891.7 million and ₱882.4 million, respectively (see Note 30).

#### JSI Loan

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

Details of the drawdowns are as follows:

Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 23, 2020	June 17, 2025	5.00%	₱60,806	₱456
Second	August 27, 2020	June 17, 2025	5.00%	24,127	181
Third	November 23, 2020	June 17, 2025	5.00%	10,761	81
Fourth	February 26, 2021	June 17, 2025	5.00%	13,422	101
				₱109,116	₱819

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

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Loans payable	₱109,116	₱95,694
Less unamortized debt issue cost	(734)	(668)
<b>Balances at end of period</b>	<b>₱108,382</b>	<b>₱95,026</b>

The capitalized borrowing costs pertaining to long-term debts amounted to ₱1.3 million and nil for the three months ended March 31, 2021 and 2020, respectively.

#### **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 three months ended March 31, 2021 and 2020, accretion of interest on provision for mine rehabilitation and decommissioning amounted to ₱2.7 million and ₱3.4 million, respectively (see Note 27).

## 15. Equity

### Capital Stock

The capital structure of the Parent Company follows:

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares		
Issued - 13,685,272,117 shares		
Outstanding - 13,630,850,117 shares	<b>₱6,842,636</b>	₱6,842,636
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	<b>7,200</b>	7,200
<b>Total</b>	<b>₱6,849,836</b>	₱6,849,836

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7% 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 March 31, 2021 and December 31, 2020, a total of 28% or 3,881,566,969 common shares and 30% or 4,034,433,405 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty-one (81) and eighty-three (83) shareholders, respectively, while the balance of 72% or a total of 9,749,283,148 common shares and 70% or a total of 9,596,416,712 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

The movements in outstanding common stock follows:

	Number of Shares		
	Issued	Treasury	Outstanding
Balances at December 31, 2019	13,685,272,117	(33,734,000)	13,651,538,117
Acquisitions during the year	–	(20,688,000)	(20,688,000)
Balances at December 31, 2020	13,685,272,117	(54,422,000)	13,630,850,117
Acquisitions during the period	–	–	–
Balances at March 31, 2021	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
2021	<i>Cash Dividends</i>					
	Regular	March 11, 2021	March 25, 2021	₱1,226,777	₱0.09	April 8, 2021
	Special	March 11, 2021	March 25, 2021	1,908,319	0.14	April 8, 2021
2020	<i>Cash Dividends</i>					
	Regular	March 13, 2020	March 27, 2020	₱1,090,638	₱0.08	April 8, 2020
	Special	August 7, 2020	August 24, 2020	2,998,787	0.22	September 4, 2020

### Appropriation of Retained Earnings

#### *Parent Company*

On November 27, 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the Parent Company. And on November 6, 2020, the Parent Company's BOD approved the reversal of the appropriation of up to ₱1,365.0 million which took effect on December 2, 2020, the end of the Parent Company's share buy-back program.

#### *HMC*

On December 17, 2020, the BOD of HMC approved the reversal of the ₱85.6 million appropriation following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱54.9 million for HMC's capital expenditures for the year 2021.

### Treasury Stock

On November 27, 2018, the BOD of the Parent Company approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Parent Company's common shares up to an aggregate value of ₱1,500.0 million. As at March 31, 2021 and December 31, 2020, the Parent Company purchased from the market a total of 54,422,000 of its own common shares at an average price of ₱2.4625 per share or a total of ₱134.0 million.

## 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 May 6, 2021, 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, which was further increased to 375.0 million shares, allocated to the Parent Company's eligible participants.
2. The eligible participants are the directors and officers of the Parent Company and its operating subsidiaries, including CExCI, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱4.38, which is equivalent to ₱2.43 after the effect of stock dividends.
4. The New Plan was 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.

The following assumptions were used to determine the fair value of the 2018 ESOP at effective grant date:

Grant date	June 15, 2018
Spot price per share	₱5.01
Exercise price	₱4.38
Expected volatility	45.34%
Option life	5.00 years
Dividend yield	2.16%
Risk-free rate	5.93%

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

Except for the increase in number of shares reserved for the exercise of 2018 ESOP, there have been no modifications or cancellations for the three months ended March 31, 2021 and 2020.

As at March 31, 2021 and December 31, 2020, there are 278,947,780 total option shares granted.

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

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Balances at January 1	<b>₱441,589</b>	₱370,522
Stock option expense (see Note 24)	<b>7,452</b>	71,067
<b>Balances at end of period</b>	<b>₱449,041</b>	₱441,589

### 17. Earnings (Loss) Per Share

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

	<b>For the three-month period ended March</b>	
	<b>2021</b>	2020
	(Unaudited)	
a. Net income (loss) attributable to equity holders of the Parent	<b>₱584,097</b>	(₱89,341)
b. Weighted average number of common shares for basic EPS (in thousands)	<b>13,630,850</b>	13,642,007
c. Weighted average number of common shares adjusted for the effect of dilution (in thousands)	<b>13,630,850</b>	13,642,007
<b>Basic/Diluted EPS</b>	<b>₱0.04</b>	(₱0.01)

### 18. Cost of Sales

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	2020
	(Unaudited)	
Cost of sale of:		
Ore	<b>₱985,173</b>	₱999,255
Limestone	<b>61,521</b>	79,115
Quarry materials	<b>1,017</b>	9,535
	<b>₱1,047,711</b>	₱1,087,905

Details of cost of sales follow:

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Production overhead	<b>₱566,160</b>	₱543,794
Personnel costs (see Note 24)	<b>261,380</b>	265,898
Outside services	<b>233,540</b>	270,371
Depreciation, amortization and depletion (see Note 25)	<b>220,735</b>	225,094
	<b>1,281,815</b>	1,305,157
Net changes in beneficiated nickel ore and limestone	<b>(234,104)</b>	(217,252)
	<b>₱1,047,711</b>	₱1,087,905

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

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Personnel costs (see Note 24)	<b>₱42,776</b>	₱46,296
Depreciation (see Note 25)	<b>28,827</b>	24,880
Overhead	<b>24,223</b>	20,102
Outside services	<b>1,882</b>	1,977
Equipment operating cost	–	4,081
	<b>₱97,708</b>	₱97,336

## 20. Cost of Power Generation

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Depreciation and amortization (see Note 25)	<b>₱53,130</b>	₱52,894
Overhead	<b>15,275</b>	14,979
Personnel costs (see Note 24)	<b>5,658</b>	5,453
Outside services	<b>3,881</b>	4,101
Materials and supplies	<b>2,332</b>	1,244
	<b>₱80,276</b>	₱78,671

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



## 21. General and Administrative Expenses

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Personnel costs (see Note 24)	<b>₱93,130</b>	₱120,704
Depreciation and amortization (see Note 25)	<b>37,815</b>	36,376
Taxes and licenses	<b>25,797</b>	23,388
Outside services	<b>12,923</b>	10,530
Professional fees	<b>9,807</b>	13,361
Publicity and promotions	<b>7,794</b>	3,371
Dues and subscriptions	<b>7,657</b>	6,696
Supplies	<b>6,533</b>	5,293
Repairs and maintenance	<b>6,403</b>	3,897
Transportation and travel	<b>4,785</b>	5,077
Communications, light and water	<b>4,314</b>	2,391
Rentals	<b>2,328</b>	2,318
Entertainment, amusement and recreation	<b>1,624</b>	2,898
Others	<b>7,783</b>	10,287
	<b>₱228,693</b>	₱246,587

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

## 22. Shipping and Loading Costs

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Contract fees	<b>₱117,584</b>	₱55,096
Depreciation and amortization (see Note 25)	<b>30,806</b>	24,249
Fuel, oil and lubricants	<b>21,264</b>	16,755
Materials and supplies	<b>19,362</b>	10,675
Personnel costs (see Note 24)	<b>17,771</b>	14,775
Other services and fees	<b>5,084</b>	2,032
	<b>₱211,871</b>	₱123,582

## 23. Excise Taxes and Royalties

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Excise taxes	<b>₱116,065</b>	₱78,116
Royalties	<b>68,001</b>	56,053
	<b>₱184,066</b>	₱134,169

## 24. Personnel Costs

<b>For the three-month period ended March 31</b>		
	2021	2020
	(Unaudited)	
Salaries, wages and employee benefits	<b>₱413,263</b>	₱433,661
Cost of share-based payment plan (see Note 16)	<b>7,452</b>	19,465
	<b>₱420,715</b>	₱453,126

The amounts of personnel costs are distributed as follows:

<b>For the three-month period ended March 31</b>		
	2021	2020
	(Unaudited)	
Cost of :		
Sales (see Note 18)	<b>₱261,380</b>	₱265,898
Services (see Note 19)	<b>42,776</b>	46,296
Power generation (see Note 20)	<b>5,658</b>	5,453
General and administrative (see Note 21)	<b>93,130</b>	120,704
Shipping and loading costs (see Note 22)	<b>17,771</b>	14,775
	<b>₱420,715</b>	₱453,126

## 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:

<b>For the three-month period ended March 31</b>		
	2021	2020
	(Unaudited)	
Cost of:		
Sales (see Note 18)	<b>₱220,735</b>	₱225,094
Power generation (see Note 20)	<b>53,130</b>	52,894
Services (see Note 19)	<b>28,827</b>	24,880
General and administrative (see Note 21)	<b>37,815</b>	36,376
Shipping and loading costs (see Note 22)	<b>30,806</b>	24,249
Others	<b>2,335</b>	622
	<b>₱373,648</b>	₱364,115

The above is distributed as follows:

<b>For the three-month period ended March 31</b>		
	2021	2020
	(Unaudited)	
Property and equipment (see Note 8)	<b>₱368,557</b>	₱361,302
Computer software under "Other noncurrent assets"	<b>5,091</b>	2,813
	<b>₱373,648</b>	₱364,115

## 26. Finance Income

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Interest income from:		
Cash and cash equivalents and others	<b>₱4,193</b>	₱43,805
Financial assets at (see Note 7):		
FVOCI	<b>47,784</b>	30,830
FVTPL	<b>8,846</b>	1,863
Amortized cost	<b>1,932</b>	3,391
Loans	<b>4,149</b>	6,229
Long-term negotiable instruments	<b>347</b>	347
	<b>₱67,251</b>	₱86,465

## 27. Finance Expenses

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Interest expense on:		
Short-term debts (see Note 13)	<b>₱24,321</b>	₱27,440
Pension	<b>6,174</b>	6,889
Long-term debts (see Notes 13 and 30)	<b>4,983</b>	10,249
Accretion of interest on:		
Lease liabilities (see Note 31)	<b>13,625</b>	13,414
Provision for mine rehabilitation and decommissioning (see Note 14)	<b>2,726</b>	3,413
Long-term payable	<b>150</b>	198
Guarantee service fee (see Note 30)	<b>9,167</b>	16,962
	<b>₱61,146</b>	₱78,565

## 28. Other Income (Charges) - Net

	For the three-month period ended March 31	
	2021	2020
	(Unaudited)	
Foreign exchange gains - net	P107,250	P15,729
Gain (loss) on:		
Changes in fair value of financial assets at FVTPL (see Note 7)	(104,642)	(267,436)
Sale of financial assets at FVOCI	1,088	6,400
Management fee	(5,832)	(3,612)
Dividend income (see Note 7)	4,374	5,719
Rentals and accommodations	1,761	3,011
Others	7,027	6,173
	<b>P11,026</b>	<b>(P234,016)</b>

## 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 three months ended March 31, 2021 and 2020:

	For the three-month period ended March 31, 2021			
	(Unaudited)			
	China	Local	Japan	Total
Sale of (see Note 30):				
Ore	P1,436,646	P989,192	P396,619	P2,822,457
Limestone	-	78,586	-	78,586
	<b>P1,436,646</b>	<b>P1,067,778</b>	<b>P396,619</b>	<b>P2,901,043</b>
	For the three-month period ended March 31, 2020			
	(Unaudited)			
	China	Local	Japan	Total
Sale of (see Note 30):				
Ore	P787,402	P811,573	P233,940	P1,832,915
Limestone	-	105,139	-	105,139
	<b>P787,402</b>	<b>P916,712</b>	<b>P233,940</b>	<b>P1,938,054</b>

<b>For the three-month period ended March 31</b>		
	<b>2021</b>	<b>2020</b>
(Unaudited)		
<b>Services and others (see Note 30)</b>		
Materials handling and others	<b>₱189,199</b>	₱182,449
Sale of quarry materials	<b>585</b>	14,841
	<b>₱189,784</b>	<b>₱197,290</b>
<b>Sale of power</b>		
Solar	<b>₱35,337</b>	₱32,872
Diesel	<b>41,416</b>	40,827
	<b>₱76,753</b>	<b>₱73,699</b>

### 30. Related Party Transactions

Set out below are the Group's transactions with related parties for the three-month period ended March 31, 2021 and 2020, including the corresponding assets and liabilities arising from the said transactions as at March 31, 2021 (Unaudited) and December 31, 2020 (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)		Terms	Conditions
	March 31, 2021	March 30, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020		
<i>Stockholders</i>														
<b>Pacific Metals Co., Ltd.</b>														
Sale of ore	₱300,267	₱233,940	₱48,324	₱151,507	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	80% to 90% upon receipt of documents and 20% to 10% after the final dry weight and applicable assay have been determined; noninterest-bearing	Unsecured; no guarantee
Despatch income and others	-	337	-	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Dividends	-	-	-	-	-	627,700	-	-	-	-	-	-	Payable on agreed pay-out date	Unsecured; no guarantee
<b>Sumitomo Metal Mining Co., Ltd.</b>														
Sale of ore	96,352	-	97,254	-	-	-	-	-	-	-	-	-	Collectible upon billing; non-interest bearing	Unsecured; no guarantee

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	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)		Terms	Conditions
	March 31, 2021	March 30, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020		
<b>Sumitomo Metal Mining Co., Ltd.</b>														
Guarantee service fee (see Note 27)	<b>₱9,167</b>	₱16,962	<b>₱-</b>	₱-	<b>₱1,808</b>	₱10,896	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Every twenty first (21st) of February, March, August and September	Unsecured
<i>With Common Stockholders</i>														
<b>Manta</b>														
Rentals, dues and utilities	<b>10,377</b>	9,147	-	-	<b>457</b>	161	-	-	-	-	-	-	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	<b>9,093</b>	9,093	-	-	-	-	-	-	-	-	-	-	Collectible at the end of the lease; noninterest-bearing	Unsecured; no guarantee
<i>Associates</i>														
<b>CBNC</b>														
Sale of ore and limestone	<b>453,704</b>	351,628	<b>148,695</b>	104,158	-	-	-	-	-	-	-	-	Thirty (30) days term; noninterest-bearing	Unsecured; no guarantee
Materials handling	<b>82,613</b>	72,149	<b>45,127</b>	119,352	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Infrlease and throughput	-	1,259	<b>8,496</b>	16,055	-	-	-	-	-	-	-	-	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	<b>30,570</b>	8,632	<b>25,376</b>	13,427	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee

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	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)		Terms	Conditions
	March 31, 2021	March 30, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020		
<b>THNC</b>														
Sale of ore	<b>₱592,370</b>	₱532,976	<b>₱218,800</b>	₱192,102	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Sale of quarry materials	<b>585</b>	14,841	-	8,338	-	-	-	-	-	-	-	-	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	<b>31,089</b>	36,120	<b>62,673</b>	29,898	-	-	-	-	-	-	-	-	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Materials handling	<b>63,466</b>	66,030	<b>22,204</b>	14,815	-	-	-	-	-	-	-	-	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Rental income	<b>1,735</b>	1,735	-	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit	-	-	-	-	<b>3,471</b>	3,471	-	-	-	-	-	-	Collectible at the end of the lease term; noninterest-bearing	Unsecured; no guarantee
Loan facility	-	-	-	-	-	-	-	-	-	-	<b>891,739</b>	882,423	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread	Unsecured; with guarantee

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	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)		Terms	Conditions
	March 31, 2021	March 30, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020		
<b>THNC</b>														
Interest expense on long-term debt (see Notes 13 and 27)	<b>₱4,983</b>	₱10,249	₱-	₱-	<b>₱8,182</b>	₱3,885	₱-	₱-	₱-	₱-	₱-	₱-	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Short-term advances	-	-	-	-	-	-	<b>1,045</b>	2,275	-	-	-	-	Collectible upon billing; noninterest-bearing; with allowance for ECL of ₱5.2 million as at March 31, 2021 and December 31, 2020	Unsecured; no guarantee
<i>Affiliates</i>														
<b>OGIPL</b>														
Short-term advances	-	-	-	-	-	-	-	-	<b>2,197,840</b>	2,197,840	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>Orka Geothermal Holdings, Inc.</b>														
Short-term advances	-	-	-	-	-	-	<b>666</b>	666	<b>2,225,413</b>	2,225,413	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>BGHI</b>														
Short-term advances	-	-	-	-	-	-	<b>19</b>	19	<b>908,049</b>	908,049	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

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	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)		Terms	Conditions
	March 31, 2021	March 30, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020		
<b>TBEA</b>														
Loan facility	<b>₱13,321</b>	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	<b>₱108,382</b>	₱95,026	Principal is payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025; interest-bearing at 5.00% p.a.	
Interest expense on long-term debt (see Notes 13 and 27)	<b>1,258</b>	-	-	-	<b>3,096</b>	1,839	-	-	-	-	-	-	Payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025	
			<b>₱676,949</b>	₱649,652	<b>₱17,014</b>	₱647,952	<b>₱1,730</b>	₱2,960	<b>₱5,331,302</b>	₱5,331,302	<b>₱1,000,121</b>	₱977,449		

Terms and Conditions of Transactions with Related Parties

All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at March 31, 2021 and December 31, 2020 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 three months ended March 31, 2021 and 2020 amounted to about ₱70.8 million and ₱51.7 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 and EPI loan obligations, there have been no guarantees received or provided for any related party receivables or payables, respectively.

### 31. Leases

The lease liabilities as at March 31, 2021 and December 31, 2020, discounted using incremental borrowing rate, are as follows:

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Lease liabilities	<b>₱609,560</b>	₱615,904
Less noncurrent portion	<b>578,449</b>	584,922
Current portion	<b>₱31,111</b>	₱30,982

The rollforward analysis of lease liabilities as at March 31, 2021 and December 31, 2020 follows:

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Balances at January 1	<b>₱615,904</b>	₱606,678
Additions	–	10,031
Accretion of interest (see Note 27)	<b>13,625</b>	54,344
Payments	<b>(19,969)</b>	(55,149)
Balances at end of period	<b>₱609,560</b>	₱615,904

For the three months ended March 31, 2021 and 2020, accretion of interest on lease liabilities amounted to ₱13.6 million and ₱13.4 million, respectively (see Note 27), while the amortization of ROU assets included in “Property and equipment” amounted to ₱10.5 million and ₱9.9 million, respectively.

### 32. Income Taxes

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

	<b>For the three-month period ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	
Current	<b>₱443,349</b>	₱168,106
Deferred	<b>36,730</b>	(32,690)
	<b>₱480,079</b>	₱135,416

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law as Republic Act No. 11534. The CREATE Act took effect on April 11, 2021. Among the relevant provisions of the CREATE Act which have an impact to the Group are as follows:

- Change in tax rate for domestic corporations depending on its total assets and taxable income as follows:

Total Assets	Net Taxable Income	Tax Rate
₱100.0 million and below	₱5.0 million and below	20%
All Other Domestic Corporations		25%

- Amendment of the rate of income tax on non-resident foreign corporations from 30% to 25% on gross income sourced from the Philippines effective January 1, 2021;
- Reduction by 20% of the interest income subjected to final tax of the allowable deduction for interest expense;
- Change in minimum corporate income tax rate (MCIT) from 2% to 1% on gross income applicable to both domestic corporations and resident foreign corporation effective July 1, 2020 up to June 30, 2023. Thereafter, it shall revert to the 2% MCIT rate.

The expected impact to the financial statement of the change in tax rate is, as follows:

	Increase (decrease)
Asset	
Deferred income tax asset	(₱101,234)
Liabilities	
Income tax payable	(287,842)
Income taxes	
Provision for current income tax	(287,842)
Provision for deferred income tax	85,522

### 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 FVTPL and at FVOCI*

The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. Upon adoption of PFRS 9, the Group used the net asset approach with consideration of lack of marketability discount and lack of control discount in determining the fair value of unquoted equity securities since the fair value measurement is unobservable (Level 3).

#### *Financial Assets at Amortized Cost*

The carrying amount of financial assets at amortized cost, which is measured using the effective interest rate (EIR), is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

*Long-term Debt and Long-term Payable*

The fair values of long-term debt and long-term payable are based on the present value of future cash flows discounted using applicable risk free rates for similar types of loans adjusted for credit risk.

Fair Value Hierarchy of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market data (unobservable inputs; Level 3).

As at March 31, 2021 and December 31, 2020, the Group's financial assets in debt and equity securities are classified under Level 1 and 3.

As at March 31, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### **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 and leasing of aircraft to World Aviation International Services Corporation.

The power segment is engaged in power generation and exploration for geothermal resources.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group is also using net income (loss) in evaluating total performance. Net income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company.

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, financial assets at FVTPL, at FVOCI and at amortized cost, property and equipment, investments in associates and other noncurrent assets. Segment liabilities include all operating liabilities

and consist principally of trade and other payables, short-term and long-term debts and other liabilities. Segment assets and liabilities do not include deferred income taxes.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring 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.

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	March 31, 2021 (Unaudited)											Eliminations	Total
	Mining					Power		Services					
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others			
External customers	P81,976	P-	P714,109	P2,105,544	P-	P35,336	P41,416	P189,199	P-	P-	P-	P-	P3,167,580
Inter-segment revenues	-	-	-	-	-	-	-	-	-	125,577	-	(125,577)	-
<b>Total revenues</b>	<b>81,976</b>	<b>-</b>	<b>714,109</b>	<b>2,105,544</b>	<b>-</b>	<b>35,336</b>	<b>41,416</b>	<b>189,199</b>	<b>-</b>	<b>125,577</b>	<b>-</b>	<b>(125,577)</b>	<b>3,167,580</b>
Cost of sales	46,378	-	427,301	574,032	-	-	-	-	-	-	-	-	1,047,711
Cost of services	-	-	-	-	-	-	-	97,708	-	-	-	-	97,708
Cost of power generation	-	-	-	-	-	51,361	28,915	-	-	-	-	-	80,276
Shipping and loading costs	24,789	15,504	52,634	116,566	-	-	-	-	2,378	-	-	-	211,871
Excise taxes and royalties	7,378	-	71,411	105,277	-	-	-	-	-	-	-	-	184,066
<b>Segment operating earnings (loss)</b>	<b>P3,431</b>	<b>(P15,504)</b>	<b>P162,763</b>	<b>P1,309,669</b>	<b>P-</b>	<b>(P16,025)</b>	<b>P12,501</b>	<b>P91,491</b>	<b>(P2,378)</b>	<b>P125,577</b>	<b>-</b>	<b>(P125,577)</b>	<b>P1,545,948</b>
General and administrative	P13,265	P10,710	P22,184	P18,936	P29,880	P15,267	P-	P-	P-	P118,451	-	-	P228,693
Finance income	P127	P4,703	P1,241	P1,068	P1	P28	P26	P-	P-	P60,057	-	-	P67,251
Finance expenses	P104	P1,164	P4,615	P2,671	P9	P36,683	P-	P4,983	P-	P10,917	-	-	P61,146
Provision for (benefit from) income tax	P2,241	P9,179	P46,822	P383,905	P-	P371	P-	P-	(P713)	P38,274	-	-	P480,079
Net income (loss) attributable to equity holders of the parent	(P10,460)	(P23,661)	P112,346	P616,192	(P29,888)	(P50,016)	P12,527	P-	P-	(P42,943)	-	-	P584,097
Segment assets	P1,470,586	P2,757,660	P8,830,794	P5,580,672	P1,385,011	P12,723,177	P809,456	P-	P37,133	P14,970,684	-	-	P48,565,173
Deferred income tax assets - net	50,787	38,624	60,353	188,983	88,256	364	-	-	-	151,300	-	-	578,667
<b>Total assets</b>	<b>P1,521,373</b>	<b>P2,796,284</b>	<b>P8,891,147</b>	<b>P5,769,655</b>	<b>P1,473,267</b>	<b>P12,723,541</b>	<b>P809,456</b>	<b>P-</b>	<b>P37,133</b>	<b>P15,121,984</b>	<b>-</b>	<b>-</b>	<b>P49,143,840</b>
Segment liabilities	P237,414	P474,626	P2,329,732	P1,774,120	P175,698	P7,604,364	P9,552	P-	P-	P480,938	-	-	P13,086,444
Deferred income tax liabilities	-	-	-	132,863	164,105	99,102	-	-	11,140	98,674	-	-	505,884
<b>Total liabilities</b>	<b>P237,414</b>	<b>P474,626</b>	<b>P2,329,732</b>	<b>P1,906,983</b>	<b>P339,803</b>	<b>P7,703,466</b>	<b>P9,552</b>	<b>P-</b>	<b>P11,140</b>	<b>P579,612</b>	<b>-</b>	<b>-</b>	<b>P13,592,328</b>
<i>Other segment information:</i>													
Capital expenditures	P20,662	P13,516	P127,992	P15,994	P8,410	P74,559	P-	P-	P-	P1,259	-	-	P262,392
Depreciation, amortization and depletion	P28,868	P42,650	P156,191	P60,400	P11,257	P40,024	P13,905	P-	P2,378	P17,975	-	-	P373,648



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	December 31, 2020 (Audited)											Eliminations	Total
	Mining					Power		Services					
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others			
External customers	₱1,991,195	₱5,078,125	₱9,106,145	₱4,678,504	₱-	₱124,144	₱164,014	₱629,454	₱-	₱-	₱-	₱-	₱21,771,581
Inter-segment revenues	-	-	-	-	-	-	-	-	-	789,423	-	-	-
Total revenues	1,991,195	5,078,125	9,106,145	4,678,504	-	124,144	164,014	629,454	-	789,423	-	-	21,771,581
Cost of sales	1,048,457	1,544,636	2,872,321	2,054,567	-	-	-	-	-	-	-	-	7,519,981
Cost of services	-	-	-	-	-	-	-	328,562	-	-	-	-	328,562
Cost of power generation	-	-	-	-	-	211,818	101,432	-	-	-	-	-	313,250
Shipping and loading costs	232,748	581,788	1,022,254	276,476	-	-	-	-	9,513	-	-	-	2,122,779
Excise taxes and royalties	179,208	920,655	910,614	233,925	-	-	-	-	-	-	-	-	2,244,402
Marketing	-	175,429	32,649	-	-	-	-	-	-	-	-	-	208,078
<b>Segment operating earnings (loss)</b>	<b>₱530,782</b>	<b>₱1,855,617</b>	<b>₱4,268,307</b>	<b>₱2,113,536</b>	<b>₱-</b>	<b>(₱87,674)</b>	<b>₱62,582</b>	<b>₱300,892</b>	<b>(₱9,513)</b>	<b>₱789,423</b>	<b>(₱789,423)</b>	<b>(₱789,423)</b>	<b>₱9,034,529</b>
General and administrative	₱84,575	₱57,352	₱106,950	₱96,756	₱129,101	₱60,116	₱-	₱-	₱-	₱582,816	₱-	₱-	₱1,117,666
Finance income	₱1,333	₱28,062	₱22,601	₱16,775	₱32	₱146	₱2,302	₱-	₱-	₱167,042	₱-	₱-	₱238,293
Finance expenses	₱1,748	₱4,668	₱15,894	₱13,191	₱1,973	₱153,027	₱-	₱31,509	₱-	₱52,492	₱-	₱-	₱274,502
Provision for (benefit from) income tax	₱101,026	₱473,458	₱1,137,649	₱592,949	(₱39,059)	(₱949)	₱-	₱-	(₱2,854)	₱56,630	₱-	₱-	₱2,318,850
Net income (loss) attributable to equity holders of the parent	₱345,649	₱1,298,806	₱2,069,800	₱1,014,064	(₱91,980)	(₱256,237)	₱64,888	₱-	₱-	(₱376,258)	₱-	₱-	₱4,068,732
Segment assets	₱1,582,753	₱2,870,615	₱10,241,256	₱4,988,713	₱1,353,208	₱12,643,376	₱852,992	₱-	₱38,958	₱13,734,155	₱-	₱-	₱48,306,026
Deferred income tax assets - net	52,232	47,420	64,436	188,983	88,256	364	-	-	-	165,573	-	-	607,264
<b>Total assets</b>	<b>₱1,634,985</b>	<b>₱2,918,035</b>	<b>₱10,305,692</b>	<b>₱5,177,696</b>	<b>₱1,441,464</b>	<b>₱12,643,740</b>	<b>₱852,992</b>	<b>₱-</b>	<b>₱38,958</b>	<b>₱13,899,728</b>	<b>₱-</b>	<b>₱-</b>	<b>₱48,913,290</b>
Segment liabilities	₱280,715	₱547,605	₱3,027,714	₱1,693,564	₱167,733	₱7,600,393	₱7,547	₱-	₱-	₱490,031	₱-	₱-	₱13,815,302
Deferred income tax liabilities - net	-	-	-	132,938	164,105	98,732	-	-	11,853	93,571	-	-	501,199
<b>Total liabilities</b>	<b>₱280,715</b>	<b>₱547,605</b>	<b>₱3,027,714</b>	<b>₱1,826,502</b>	<b>₱331,838</b>	<b>₱7,699,125</b>	<b>₱7,547</b>	<b>₱-</b>	<b>₱11,853</b>	<b>₱583,602</b>	<b>₱-</b>	<b>₱-</b>	<b>₱14,316,501</b>
<i>Other segment information:</i>													
Capital expenditures	₱87,688	₱110,263	₱498,191	₱445,251	₱9,841	₱967,453	₱3,330	₱-	₱-	₱10,831	₱-	₱-	₱2,132,848
Depreciation, amortization and depletion	₱145,621	₱176,627	₱593,715	₱184,958	₱45,390	₱161,443	₱57,178	₱-	₱9,513	₱70,815	₱-	₱-	₱1,445,260

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	March 31, 2020 (Unaudited)											
	Mining					Power		Services			Eliminations	Total
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others		
External customers	₱40,848	₱-	₱547,817	₱1,364,230	₱-	₱32,872	₱40,827	₱182,449	₱-	₱-	₱-	₱2,209,043
Inter-segment revenues	-	-	-	-	-	-	-	-	-	93,464	(93,464)	-
Total revenues	40,848	-	547,817	1,364,230	-	32,872	40,827	182,449	-	93,464	(93,464)	2,209,043
Cost of sales	30,961	-	415,849	641,095	-	-	-	-	-	-	-	1,087,905
Cost of services	-	-	-	-	-	-	-	97,336	-	-	-	97,336
Cost of power generation	-	-	-	-	-	49,847	28,824	-	-	-	-	78,671
Shipping and loading costs	23,941	-	15,198	82,065	-	-	-	-	2,378	-	-	123,582
Excise taxes and royalties	3,676	7,500	54,782	68,211	-	-	-	-	-	-	-	134,169
<b>Segment operating earnings (loss)</b>	<b>(₱17,730)</b>	<b>₱-7,500</b>	<b>₱61,988</b>	<b>₱572,859</b>	<b>₱-</b>	<b>(₱16,975)</b>	<b>₱12,003</b>	<b>₱85,113</b>	<b>(₱2,378)</b>	<b>₱93,464</b>	<b>(₱93,464)</b>	<b>₱687,380</b>
General and administrative	₱14,815	₱8,477	₱17,020	₱20,194	₱31,092	₱17,618	₱-	₱-	₱-	₱137,371	₱-	₱246,587
Finance income	₱381	₱9,260	₱11,299	₱6,367	₱10	₱36	₱954	₱-	₱-	₱58,158	₱-	₱86,465
Finance expenses	₱866	₱1,216	₱4,710	₱3,381	₱13	₱39,079	₱-	₱10,249	₱-	₱19,051	₱-	₱78,565
Provision for (benefit from) income tax	(₱7,700)	₱2,203	₱19,521	₱161,220	₱-	(₱26)	₱-	₱-	(₱713)	(₱39,089)	₱-	₱135,416
Net income (loss) attributable to equity holders of the parent	(₱26,708)	(₱6,122)	₱75,312	₱273,948	(₱31,094)	(₱60,937)	₱12,957	₱-	₱-	(₱326,697)	₱-	(₱89,341)
Segment assets	₱1,603,545	₱2,961,272	₱9,324,635	₱4,511,152	₱1,320,543	₱11,864,581	₱1,028,194	₱-	₱46,386	₱14,484,141	₱-	₱47,144,449
Deferred income tax assets - net	51,252	37,260	1,689	78,496	49,197	-	-	-	-	91,095	-	308,989
<b>Total assets</b>	<b>₱1,654,797</b>	<b>₱2,998,532</b>	<b>₱9,326,324</b>	<b>₱4,589,648</b>	<b>₱1,369,740</b>	<b>₱11,864,581</b>	<b>₱1,028,194</b>	<b>₱-</b>	<b>₱46,386</b>	<b>₱14,575,236</b>	<b>₱-</b>	<b>₱47,453,438</b>
Segment liabilities	₱218,753	₱430,697	₱2,009,195	₱1,171,828	₱97,091	₱7,445,908	₱8,085	₱-	₱-	₱435,280	-	₱11,816,837
Deferred income tax liabilities	-	-	-	118,447	164,105	99,299	-	-	13,994	120,188	-	516,033
<b>Total liabilities</b>	<b>₱218,753</b>	<b>₱430,697</b>	<b>₱2,009,195</b>	<b>₱1,290,275</b>	<b>₱261,196</b>	<b>₱7,545,207</b>	<b>₱8,085</b>	<b>₱-</b>	<b>₱13,994</b>	<b>₱555,468</b>	<b>₱-</b>	<b>₱12,332,870</b>
<i>Other segment information:</i>												
Capital expenditures	₱148	₱17,809	₱55,989	₱20,134	₱3,061	₱28,320	₱-	₱-	₱-	₱4,567	₱-	₱130,028
Depreciation, amortization and depletion	₱42,015	₱45,487	₱144,977	₱47,092	₱10,839	₱39,971	₱13,958	₱-	₱2,378	₱17,398	₱-	₱364,115

The Group has revenues from external customers as follows:

Country of Domicile	<b>For the three-month period ended March 31</b>	
	2021	2020
	(Unaudited)	
China	<b>₱1,436,647</b>	₱787,402
Local	<b>1,334,314</b>	1,187,700
Japan	<b>396,619</b>	233,941
	<b>₱3,167,580</b>	₱2,209,043

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 ₱1,717.7 million and ₱1,311.5 million for the three months ended March 31, 2021 and 2020, respectively.

### 35. Supplemental Disclosure to Consolidated Statements of Cash Flows

EPI paid ₱500.0 million out of its outstanding loan from the Parent Company by way of dation in payment of all of EPI's rights and interest for a portion of its shares of stock in JSI equivalent to ₱500.0 million.