

# NICKEL ASIA CORP. 2023 1H-2023 Earnings

08/08/2023

# NIKL and EPI 1H2023 HIGHLIGHTS

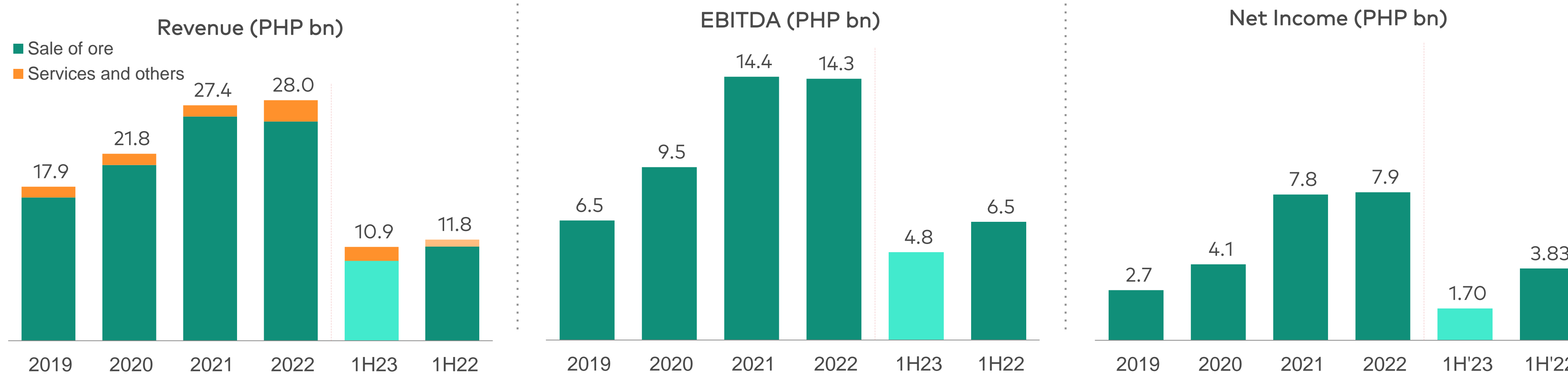
## NICKEL MINING

- Revenues decreased by 8% YoY to P10.9 billion due to lower nickel ore prices which weighed down the positive impact from higher shipment (+17% more exports) and favourable FX rates.
- The lower nickel ore prices in the 2<sup>nd</sup> quarter are due to the oversupply of Class 2 nickel from Indonesia and the weaker than expected Chinese stainless-steel demand. The narrowing deficit in Class 1 nickel world supply has also impacted Nickel LME prices.
- Consolidated EBITDA totaled P4.79 billion, down 25.7% YoY.
- Reported attributable net income is P1.7 billion, down 56% YoY due to lower ore prices in 2Q-23 impacting both ore revenues and the profitability of our investments in the HPAL plants.
- Excluding the company's equity interest in the two HPAL projects, attributable net-income (net of minority interest) declined by 33% to P1.8 billion YoY due to lower nickel ore prices. The losses incurred by the HPAL plants were due to lower YoY nickel and cobalt prices and maintenance costs related to plant maintenance.
- HPAL operations registered loss of P77M due to lower nickel and cobalt prices, as well as additional repairs and maintenance costs incurred.

## RENEWABLE ENERGY (EMERGING POWER INC.)

- Jobin-SQM Inc. (JSI) now operating a total capacity of 100-MW from 62 MW YoY; generation up 54% YoY to 76,375-megawatt hours.
- JSI's 1H-23 Revenues up 81% YoY to P390.6 million.
- JSI's EBITDA up 86% YoY to P330.8 million; net income up 19% YoY to P56.45 million.
- JSI's additional 72 MW in Subic site on track to commercially operate by 4Q2023.
- 145-MW plant pre-development activities underway with EPI's other long-term lease agreement with the Subic Bay Metropolitan Authority (SBMA), with construction expected to begin in early 2024.
- Leyte Phase 1 - 120 MW project under Greenlight Renewables (JV with Shell) to start construction in 3Q2023.
- Ongoing discharge testing for 2 MW pilot of Biliran Geothermal. Finalizing development of 10-20 MW, with the goal of achieving 50 MW.

# FINANCIAL HIGHLIGHTS (1H'23 VS 1H'22)

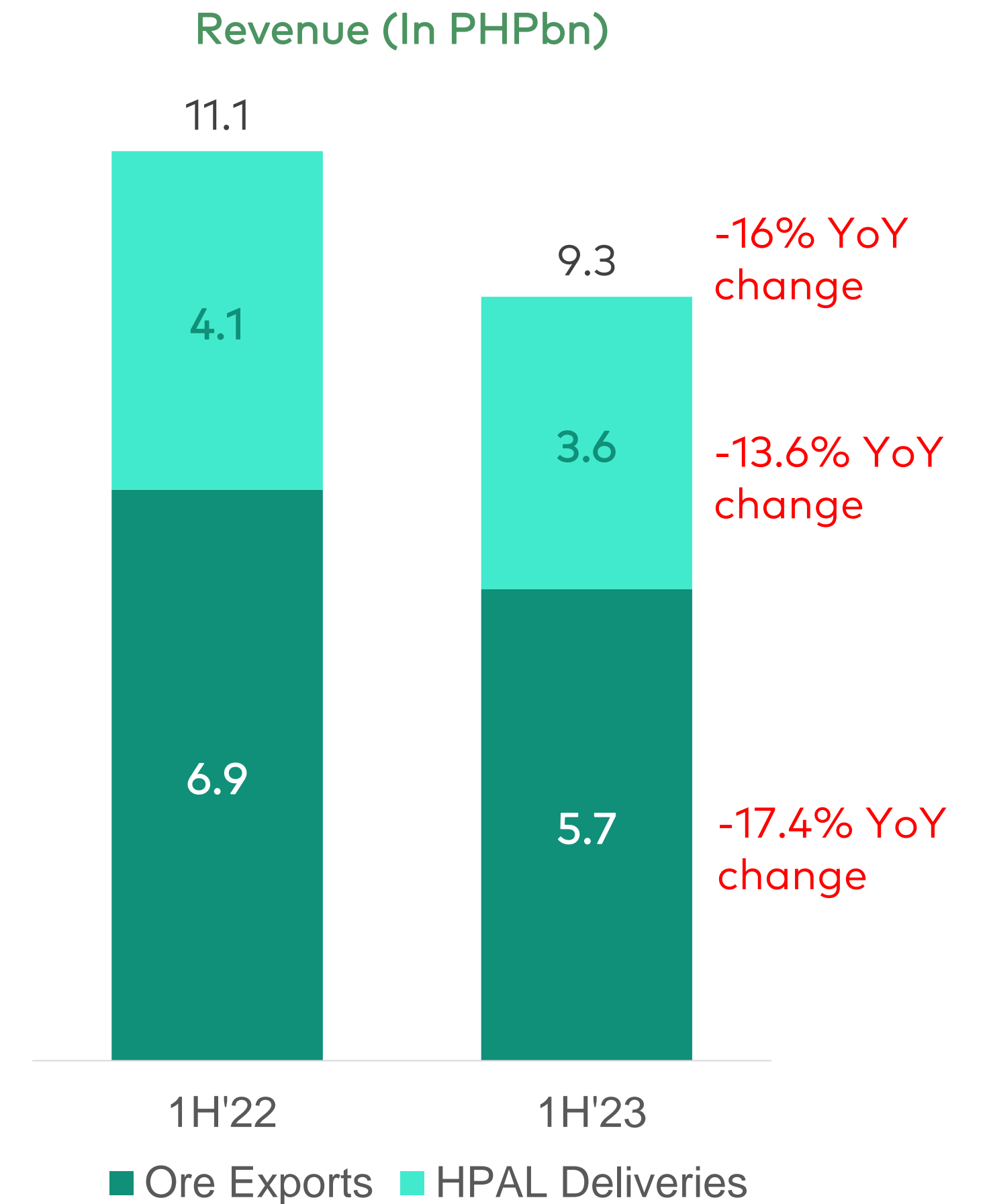
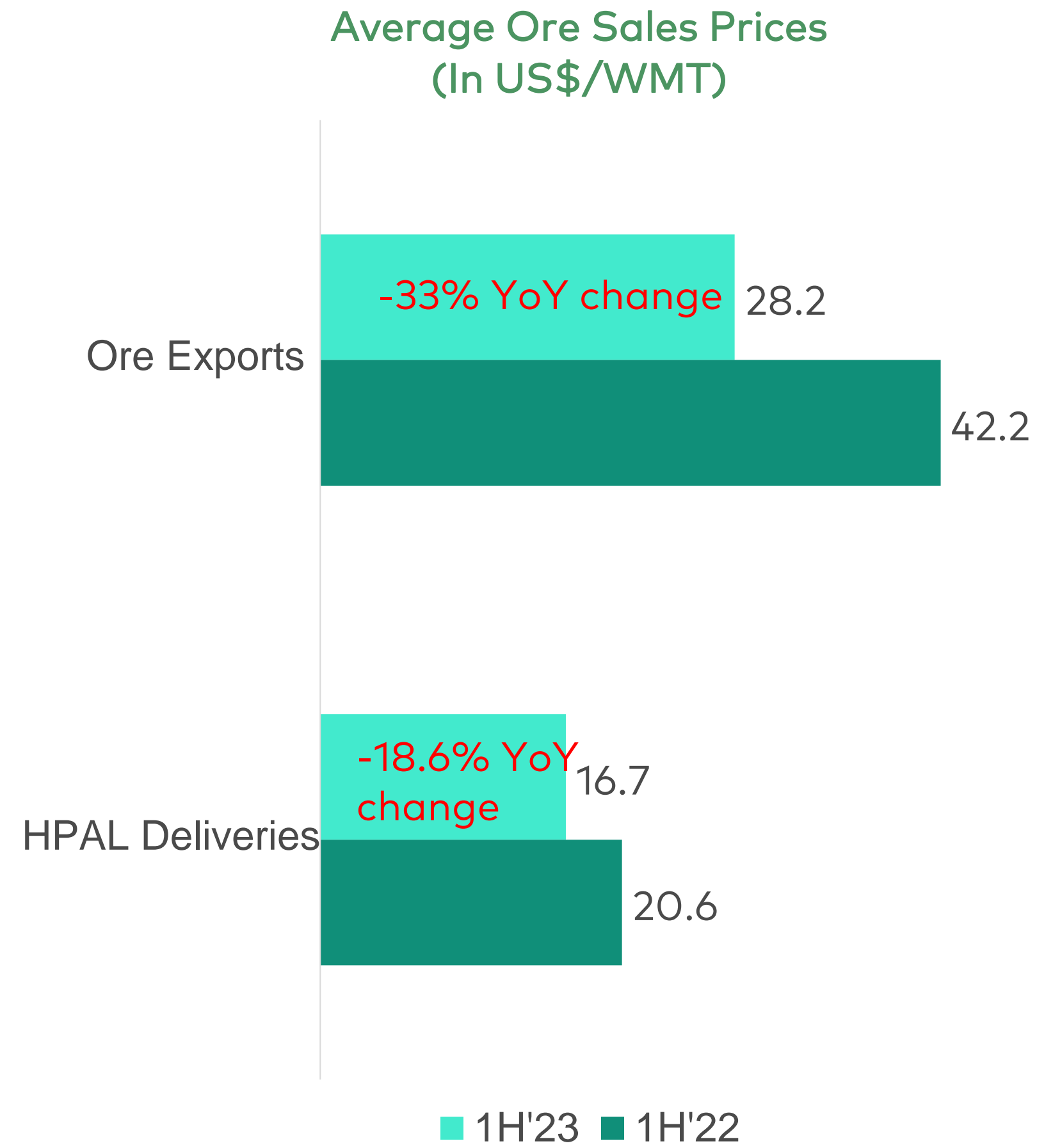
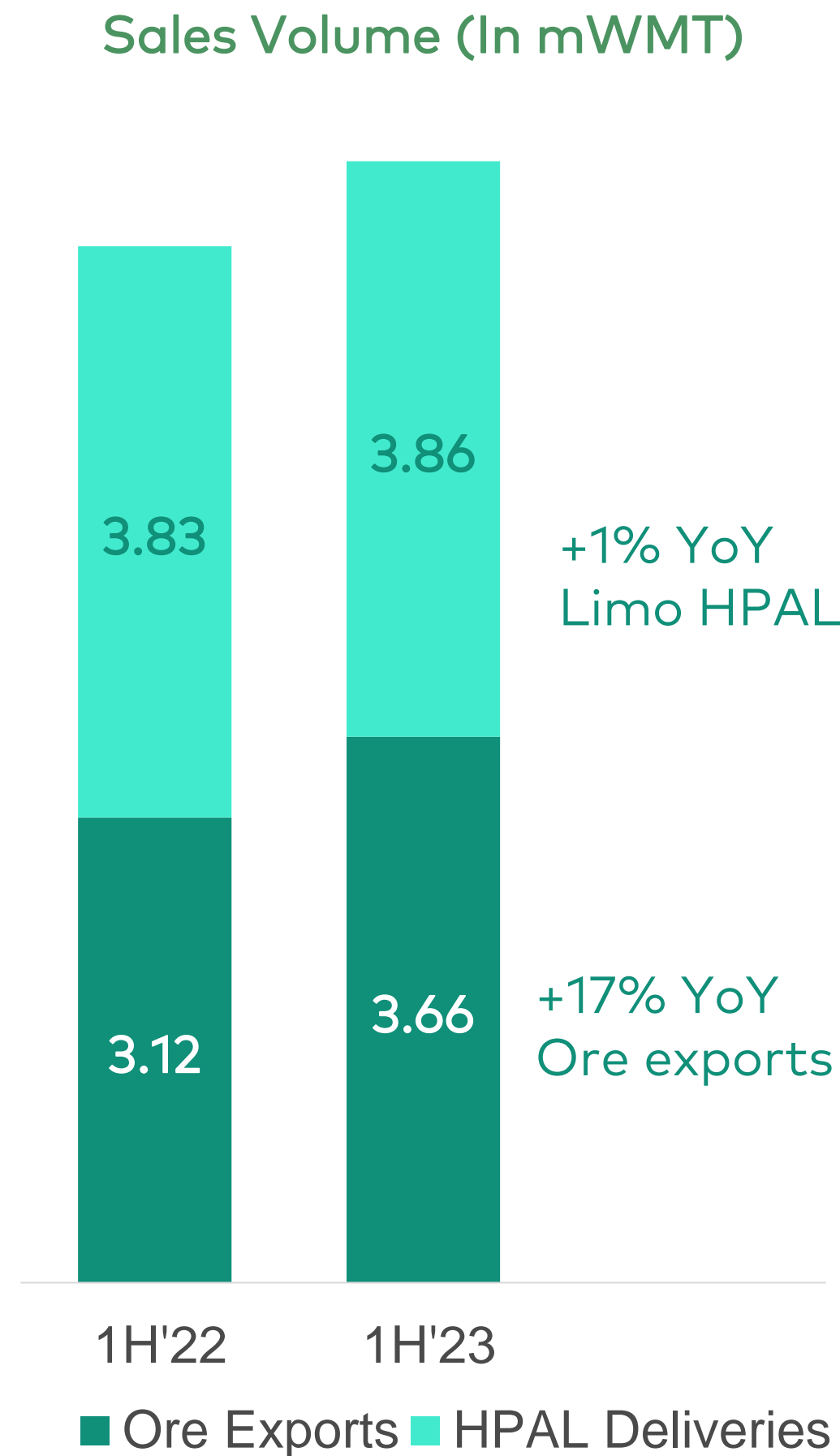


		2019	2020	2021	2022	1H2023	1H2022
EBITDA margin		36%	43%	53%	51%	44%	55%
Net income margin		21%	26%	39%	38%	26%	45%
Ave. Ni LME price per pound (US\$)		6.32	6.25	8.39	11.21	10.70	12.54
Average price in US\$/WMT	Ore Exports	23.52	33.99	40.40	39.39	28.22	42.24
	HPAL Deliveries	8.19	8.33	12.03	18.72	16.72	20.55
Effective Ni Pay factor <sup>1</sup>	Ore Exports	16.94%	25.18%	24.11%	18.02%	14.16%	17.14%
	HPAL Deliveries	8.21%	8.33%	8.81%	9.63%	10.1%	9.63%
Dividend Yield <sup>2</sup>		2.4%	10.8%	8.2%	7.2%	N/A	N/A
Cash dividend payout ratio of PY earnings		32%	152%	151%	79%	N/A	N/A

Source: Company Data  
 Ni Pay factor is the ratio of revenue to LME price for each unit of contained nickel sold.  
 Dividend yield is computed as dividend per share divided by average NIKL price per share

# SHIPMENTS AND REVENUES BY ORE TYPE

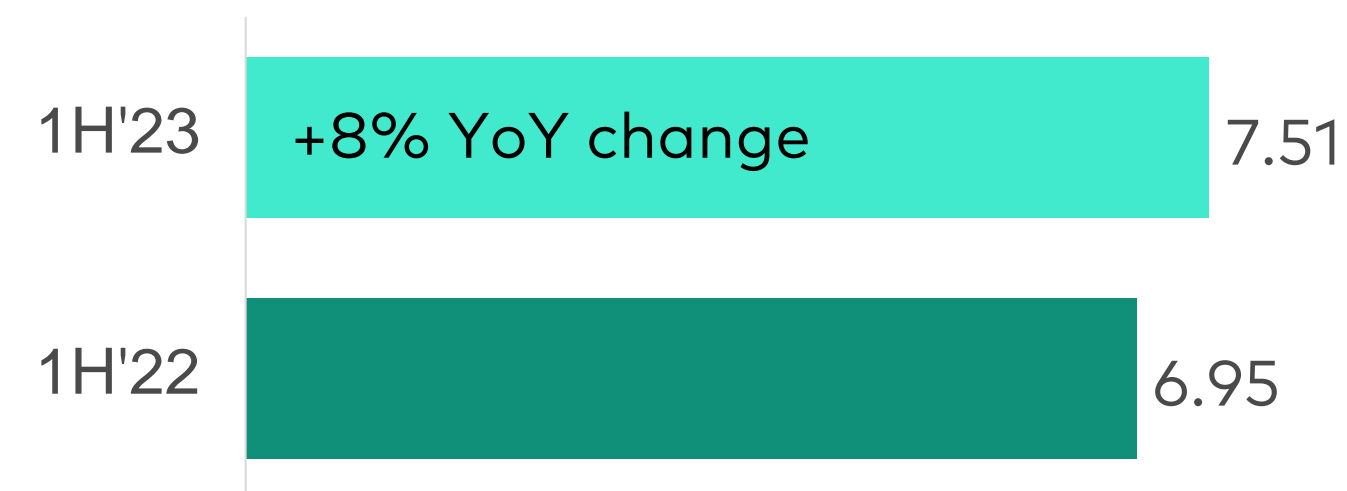
## FULL-YEAR COMPARISON



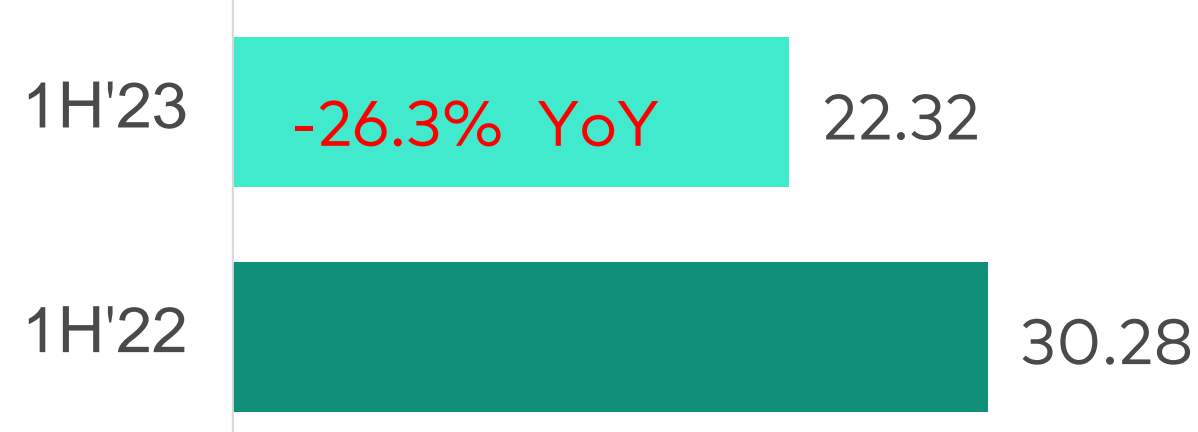
# REVENUE – VARIANCE ANALYSIS

## FULL-YEAR COMPARISON

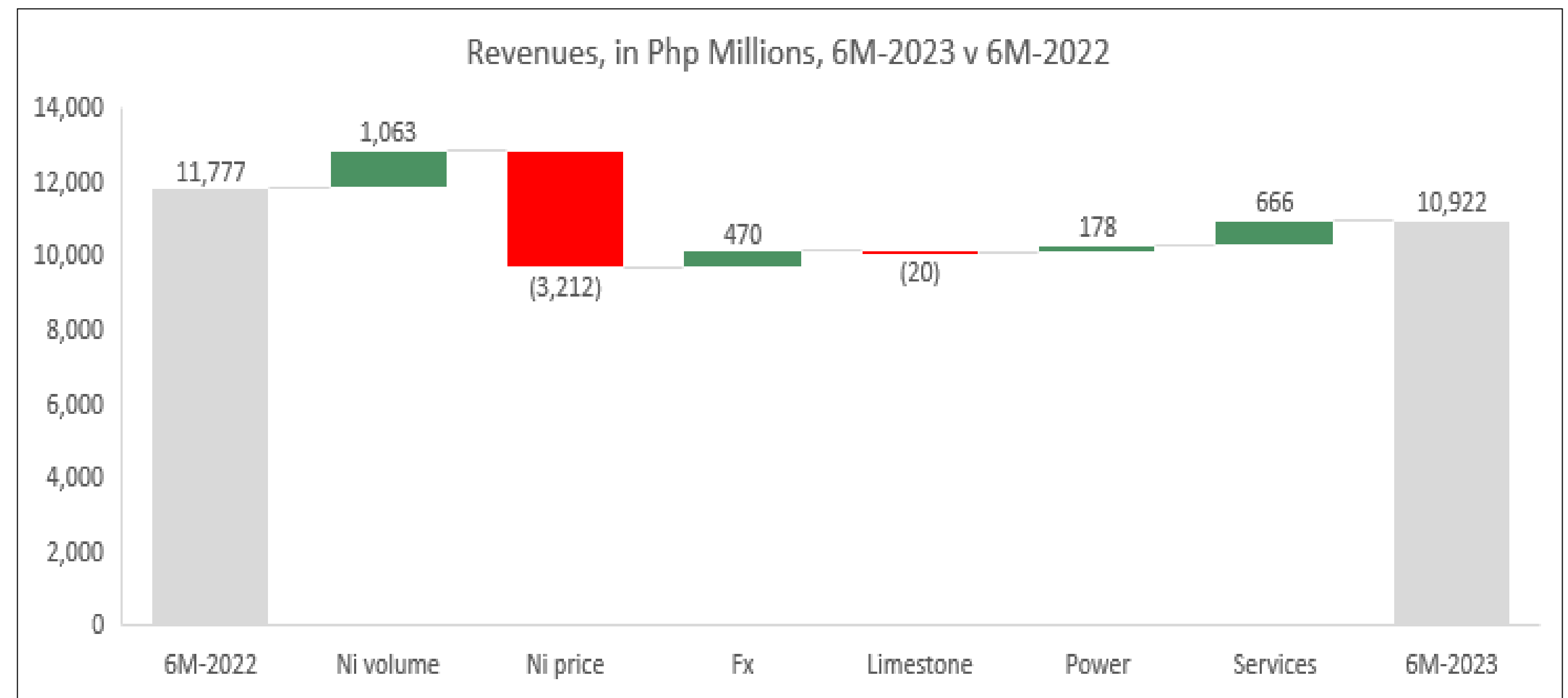
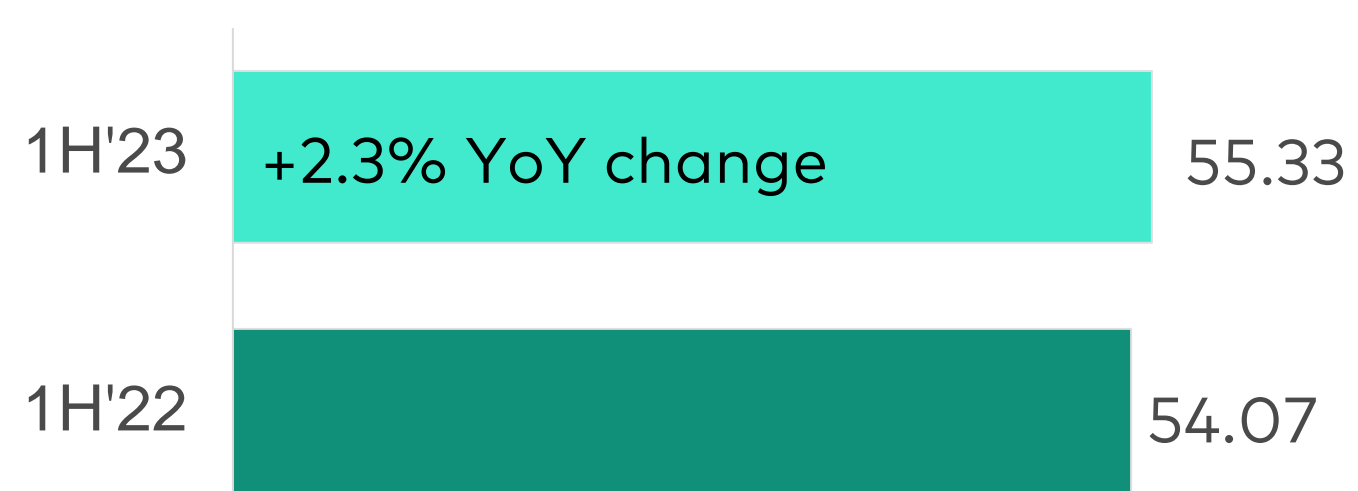
### Sales Volume (mWMT)



### Sales Price (mWMT)

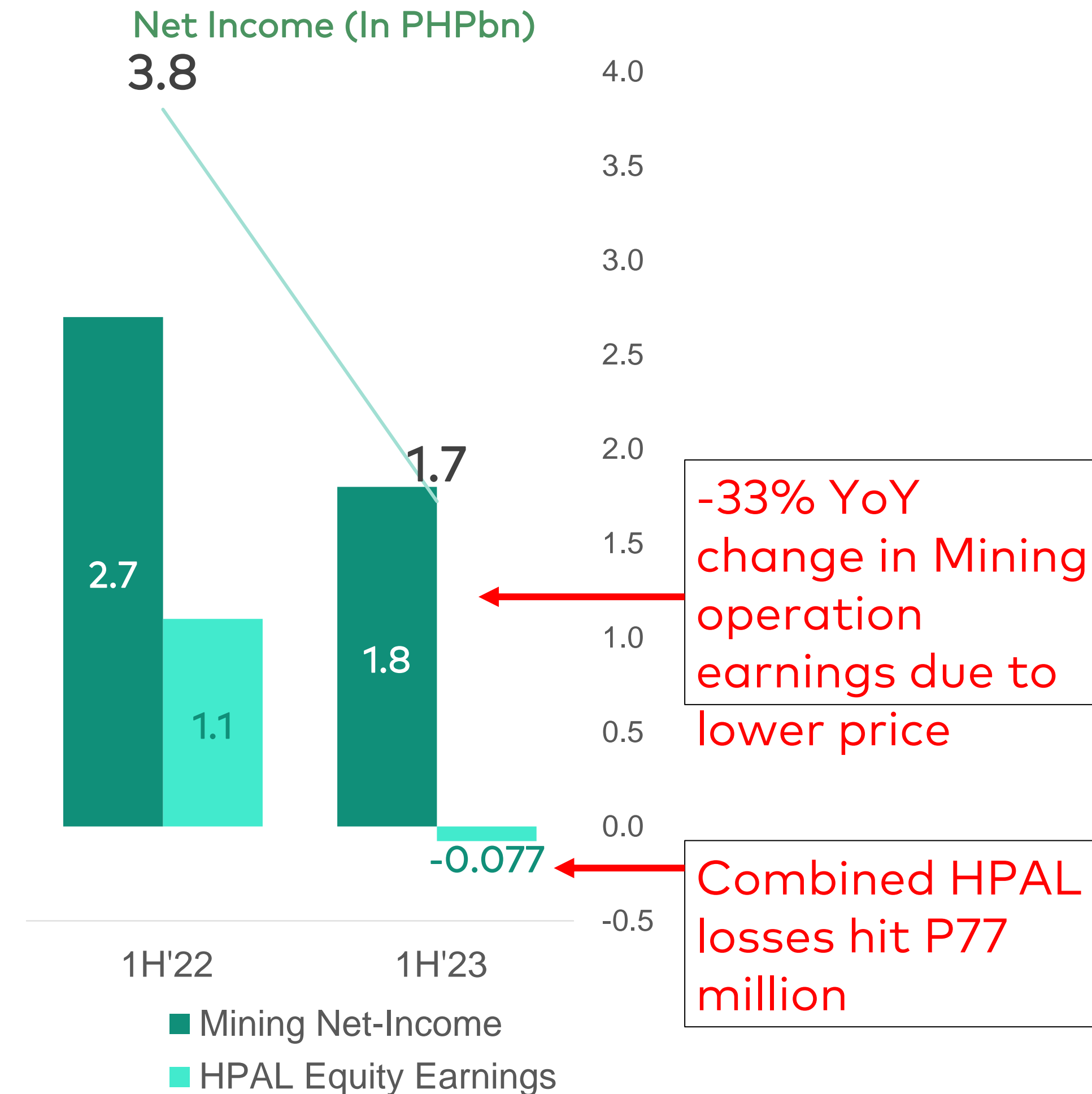


### FX Rate (PHP/USD)



# NET INCOME – VARIANCE ANALYSIS

## FIRST SEMESTER COMPARISON

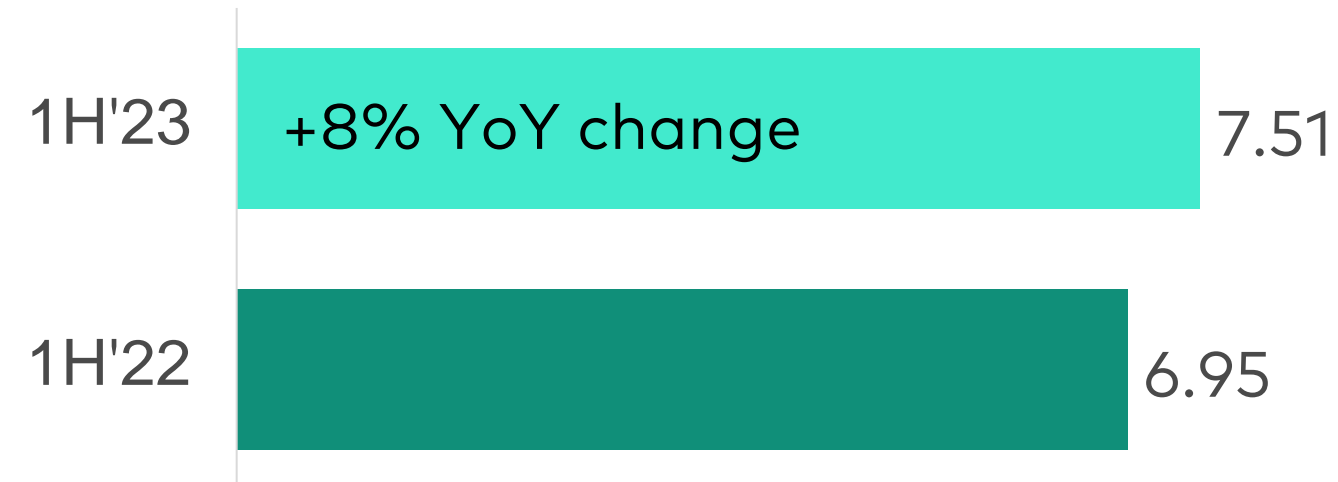


- Reported attributable net income at P1.7 billion, down 56% YoY due to lower ore prices in 2Q-23 impacting both ore revenues and the profitability of our investments in the HPAL plants.
- Excluding the company's equity interest in the two HPAL projects, attributable net-income (net of minority interest) declined by 33% to P1.8 billion YoY due to lower nickel ore prices. Losses incurred by the HPAL plants were likewise due to lower YoY nickel and cobalt prices.
- HPAL operations registered loss of P77M due to lower nickel and cobalt prices, as well as additional repairs and maintenance costs incurred.

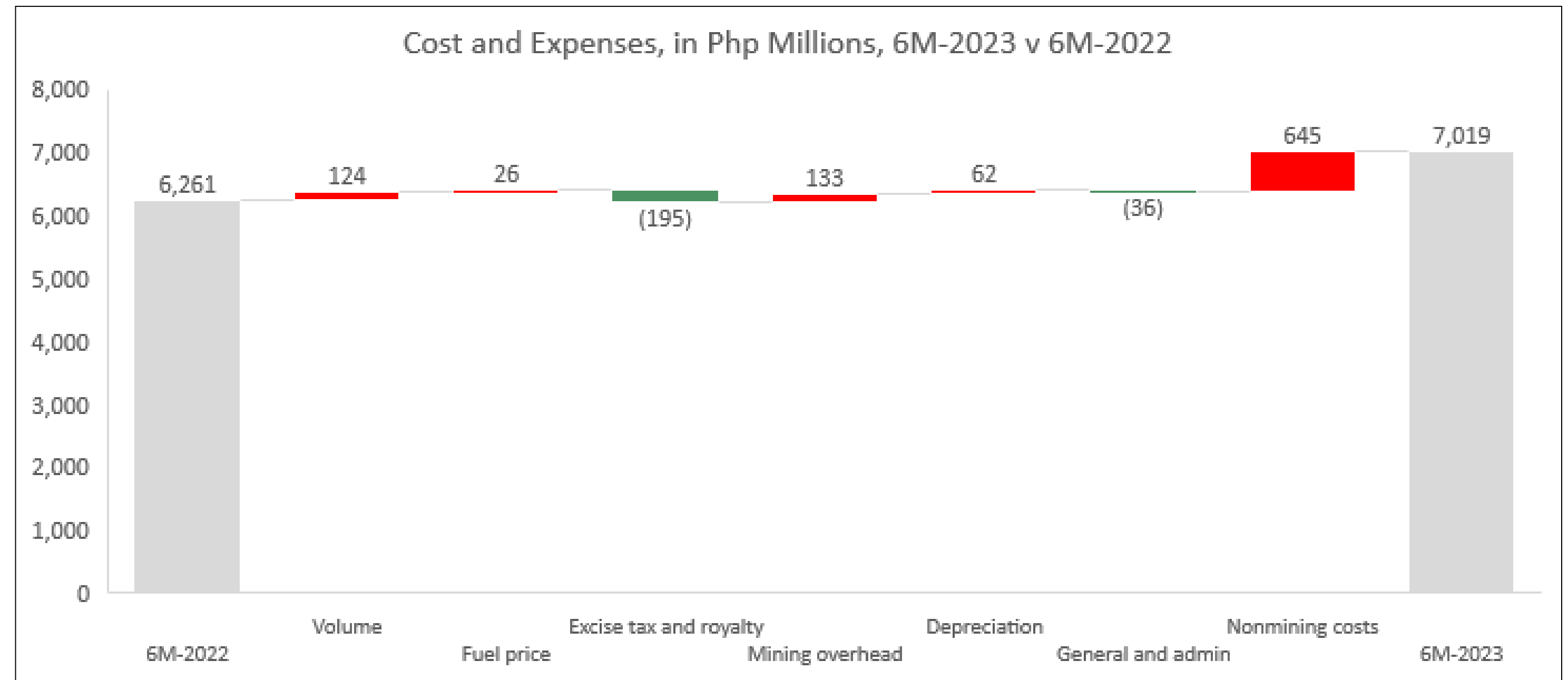
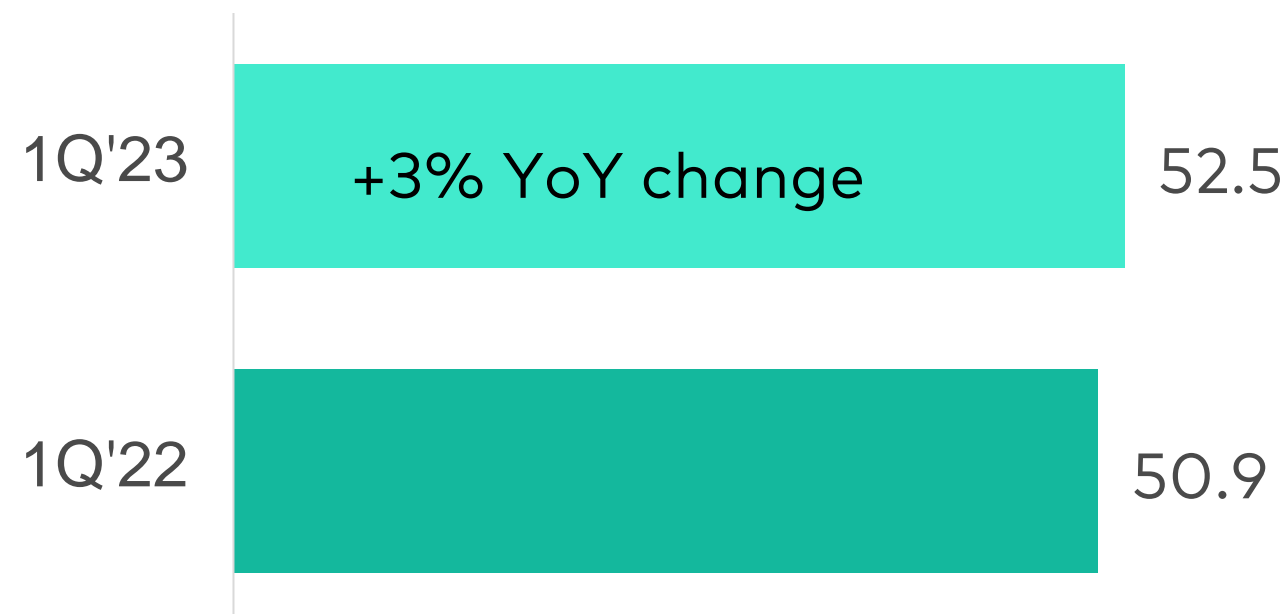
# COST & EXPENSES – VARIANCE ANALYSIS

## FULL-YEAR COMPARISON

### Sales Volume (mWMT)

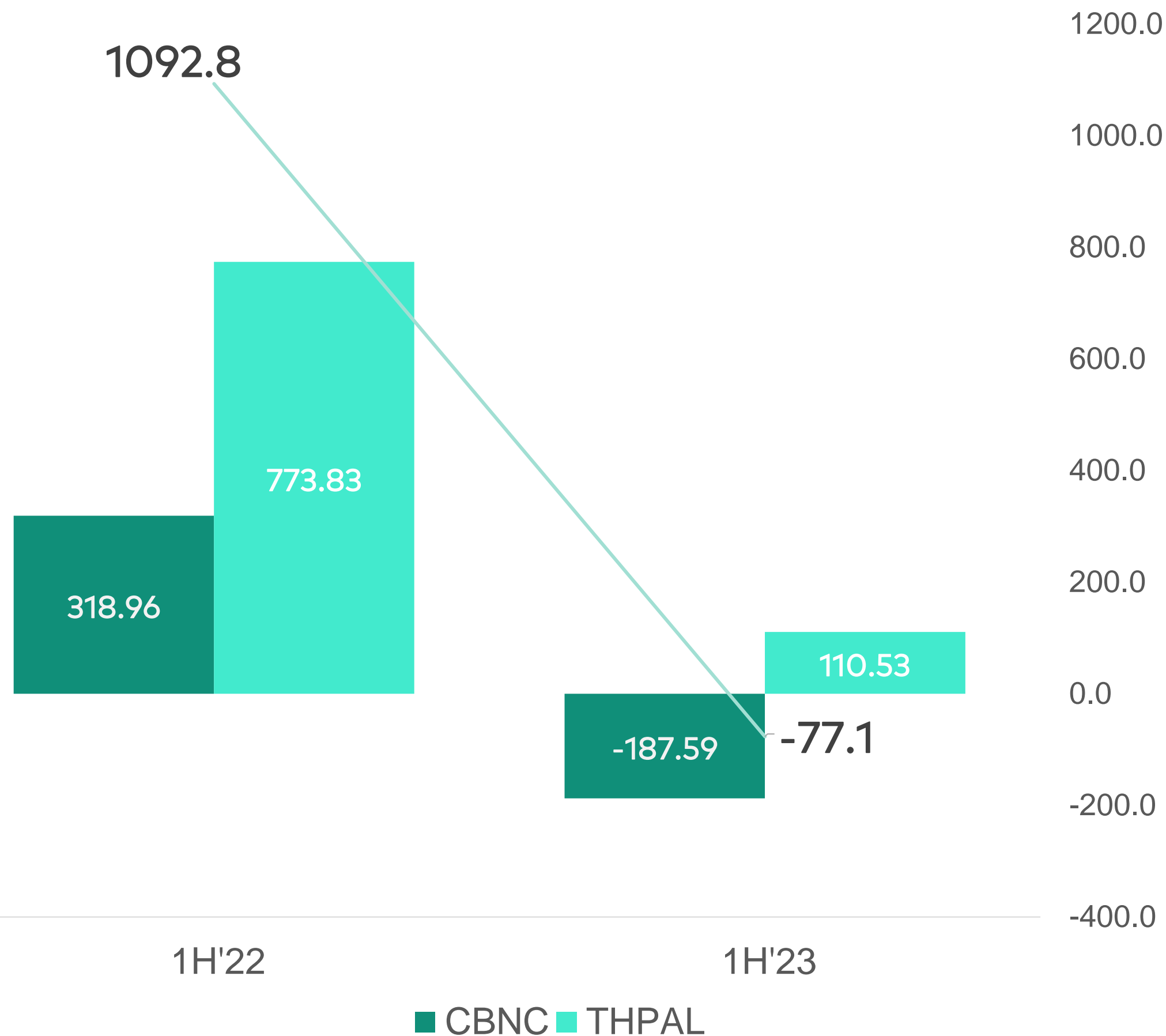


### Fuel Prices (P/liter)



# Investment in HPAL EQUITY EARNINGS

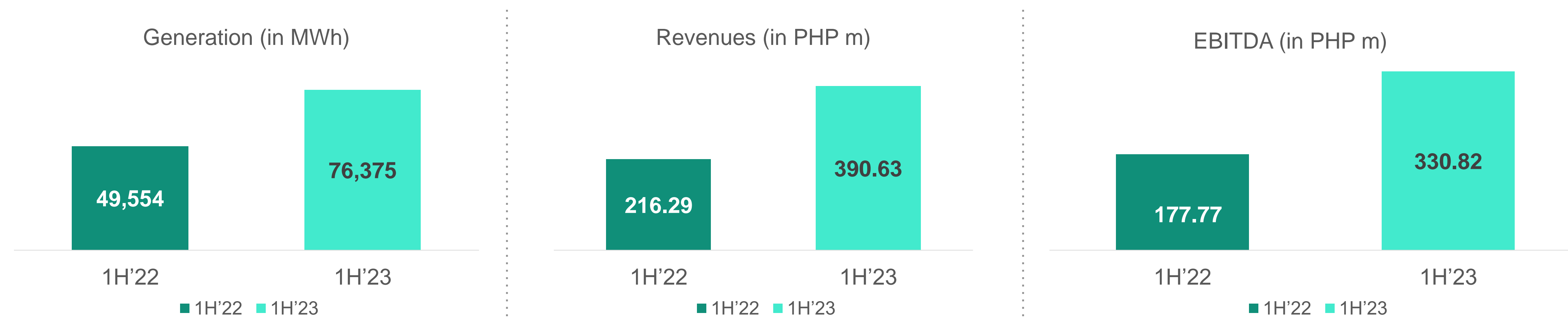
Equity Earnings, in PHP Millions (1H-23 comparison)



- The reduced Nickel and Cobalt prices had impacted Equity earnings from investments in the HPAL operations



# JSI FINANCIAL HIGHLIGHTS (1H'2022 to 1H'2023)



	1H'22	1H'23	YoY% change	
Generation (in MWh)	49,554	76,375	54% ↑	Presently operating at 100MW vs 62 MW in previous year
Revenues (Php in millions)	216.29	390.63	81% ↑	Positive impact due to higher generation and WESM prices
EBITDA (Php in millions)	177.77	330.82	86% ↑	within 80-85% target
NIAT (Php in millions)	47.57	56.45	19% ↑	Sustainable profitability for 100MW operations and favorable market conditions.
EBITDA Margin	82%	85%	300 bps ↑	Within 80-85% target
Weighted Realized Tariff (in Php)	4.36	5.11	17% ↑	Tight supply in the Philippines driving prices higher

# DEVELOPMENT PIPELINE

# MINING DEVELOPMENT PIPELINE

	BULANJAO	MANICANI	KEPHA
Resources as of 12/31/2021	70M WMT @1.61% Ni	47M WMT @1.55% Ni	6M WMT @1.22% Ni
Percent of MPSA Area Drilled	22% of 3,553 hectares	38% of 1,165 hectares	2% of 6,981 hectares
Target Annual Production	4M+ WMT	2M+ WMT	2M+ WMT
Target Annual Product Mix	35% Saprolite 65% Limonite	50% Saprolite 50% Limonite	n/a
Pending Issues	Regulatory	Regulatory (ECC Amendment)	Technical (Exploration)
Target Start Date	2024	2024	TBD

## EPI'S SOLAR PROJECTS UNDER OR TO START CONSTRUCTION IN 2023

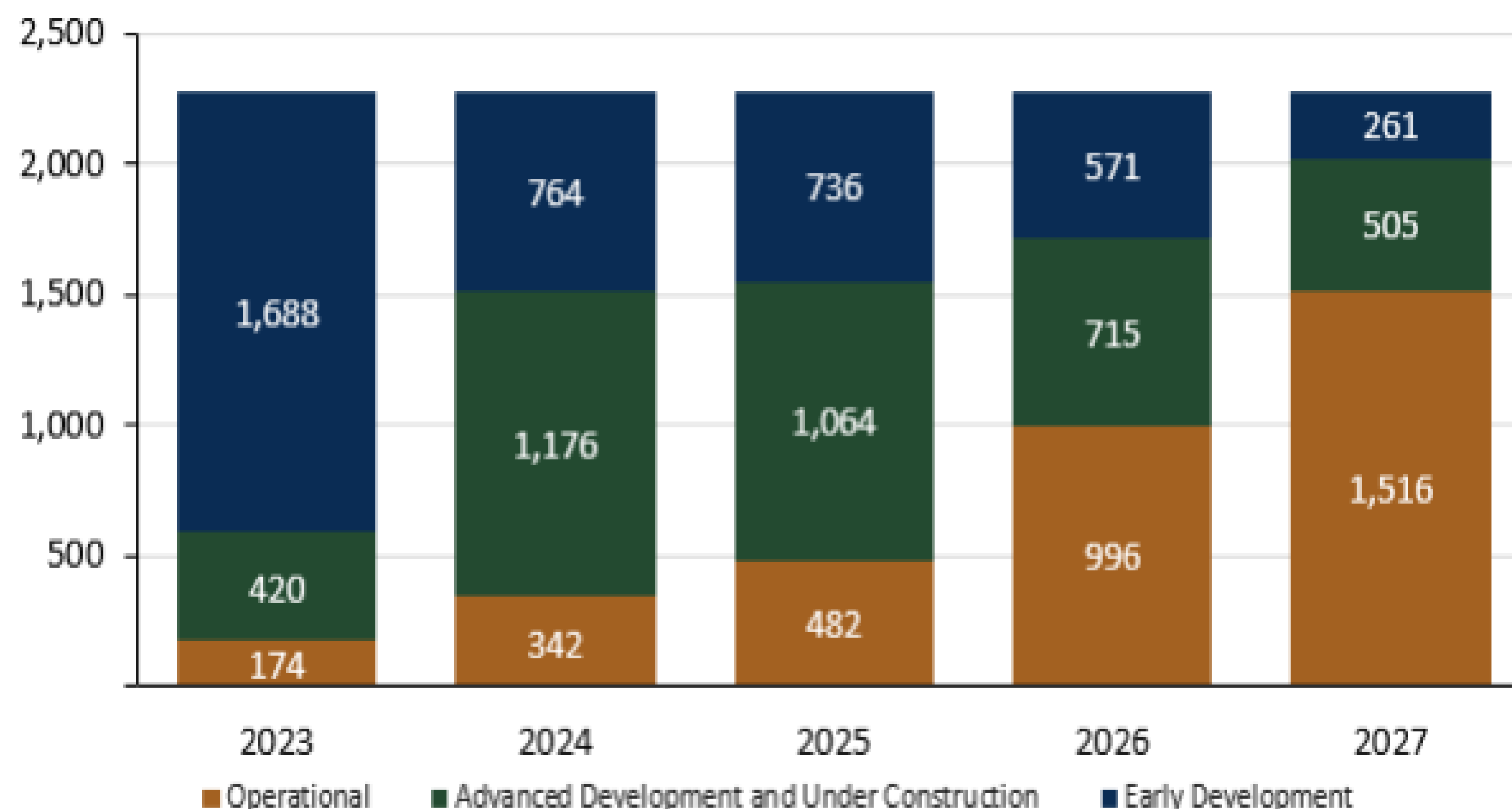
	JSI	Subic Cawag	Leyte Project
Operating Capacity	100 MW		
Capacity Under Construction or For Construction	72 MW	145 MW	240 MW
The incremental Attributable capacity under construction to EPI (in MW)	72 MW	145 MW	144 MW
Pre-development	Completed on Jan 2023	Ongoing, Target completion: 3Q2023	Completed on Jun 2023
Construction	Ongoing	Start 4Q2023	Start 3Q2023
Commercial Operations Date "COD"	4Q2023	4Q2024	2Q2025 (120MW – Phase 1)

# EPI'S GEOTHERMAL PIPELINE

	BILIRAN (BGI)	MINDORO (MGCP)
Capacity	Initially 50 MW (out P50 of 200 MW+)	20 MW (P90 of 20 MW)
Attributable MW to EPI	22MW	20 MW
Proof of Concept Pilot Project	90% Complete; 2 MW Vetted with turbines to be installed	Ongoing Target Completion: 2Q 2024
Development	Next phase: Finalizing development plan for 10-20 MW, leading to 50 MW	Target Completion: 3Q2025
Commercial Operations Date "COD"	4Q2023 for 2 MW 2025-2027 for 10-20 MW	4Q2025 for 2 MW

# EPI'S PROJECTED CAPACITY BUILDUP OF SOLAR, WIND AND GEOTHERMAL GENERATION ASSETS

(Gross capacity, MW)



- Load profile being developed to serve solar peak and night peak hours.
- PSAs to be against portfolio (not single plant).
- Does not yet include NAC-related projects.

# SUSTAINABILITY

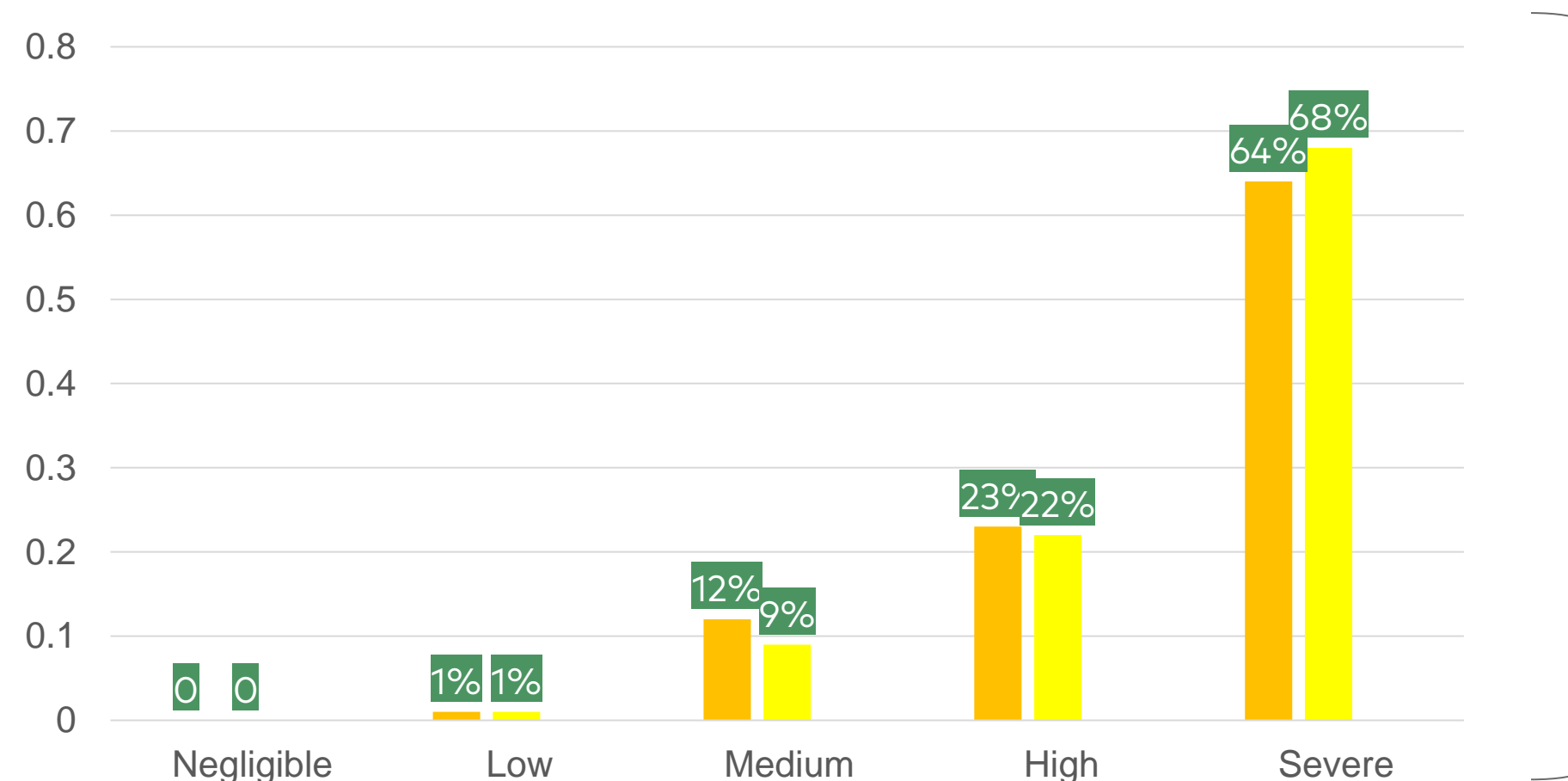


# ESG SCORE IMPROVED TO 34.8 FROM 43.7

## Nickel Asia Corp. Rating Report

Score and Risk Category				
<b>34.8 High Risk</b>				
Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+
<p>The company is at high risk of experiencing material financial impacts from ESG factors, due to its high exposure and strong management of material ESG issues. Notably, its overall risk is higher since it is materially exposed to more ESG issues than most companies in our universe. The company has experienced a moderate level of controversies.</p>				

## ESG Risk Rating Distribution



## Material ESG Issues

Issue Name	ESG Risk Exposure Score   Category	ESG Risk Management Score   Category	ESG Risk Rating Score   Category	Contribution to ESG Risk Rating
Community Relations	8.1 High	41.2 Average	5.1 Medium	14.7%
Emissions, Effluents, and Waste	8.6 High	45.7 Average	5.0 Medium	14.5%
Corporate Governance	9.0 High	47.2 Average	4.8 Medium	13.7%
Resource Use	7.2 Medium	48.5 Average	4.4 Medium	16.0%
Carbon –Own Operations	5.6 Medium	50.6 Strong	3.3 Low	9.6%
Occupational Health and Safety	8.1 High	71.9 Strong	2.9 Low	8.2%
Human Capital	4.5 Medium	39.9 Average	2.8 Low	8.0%
Bribery and Corruption	5.4 Medium	60.0 Strong	2.3 Low	6.7%
Land Use and Biodiversity	3.8 Low	53.4 Strong	1.8 Negligible	5.1%
Business Ethics	2.7 Low	57.0 Strong	1.2 Negligible	3.6%
Overall	63.0 High	49.2 Strong	34.8 High	100.0%

### Legend

- Industry (Diversified Metals)
- Subindustry (Diversified Metals Mining)

Rank | Percentile  
(1<sup>st</sup> = Top Score)  
60/223 | 27<sup>th</sup>  
40/184 | 22<sup>nd</sup>

Rated



MORNINGSTAR | SUSTAINALYTICS



# OUR SUSTAINABILITY PERFORMANCE AND TARGETS

ESG is at the forefront of our priority to address material risks with our medium- to long-term targets

## Our Sustainability Performance and Targets Highlights



### Environment



Metric	2022 Achievements	2025 Targets
Renewable Energy Generation	115 MW Operational Capacity	650 MW by 2025
GHG Emissions (Scope 1 & 2)	685,912 tCO2e Total Greenhouse Gas Emissions in Scopes 1 and 2	10% Reduction in Scopes 1 and 2 GHG Emissions
Biodiversity Protection	730 hectares of terrestrial habitat protected and restored	10,376 hectares of terrestrial habitat protected and restored

Completed Scope 1 and Scope 2 GHG inventory including Land Use Change and Degradation emissions

Environmental Management System that has executive oversight, compliance with regulations, measurable targets and deadlines, and certifications

Spent ₱197M on Land and Biodiversity Protection, ₱42M on Air Protection, and ₱19M on Environmental Monitoring

# OUR SUSTAINABILITY PERFORMANCE AND TARGETS

ESG is at the forefront of our priority to address material risks with our medium- to long-term targets

## Our Sustainability Performance and Targets Highlights



### Social



Metric	2022 Achievements	2025 Targets
<b>Safe Workplace</b>	Zero (0) Lost Time Accidents	Zero (0) Lost Time Accidents
<b>Health Care</b>	100% Employees Covered by Annual Physical Exam	100% Employees Covered by Annual Physical Exam
<b>Mental Health</b>	All Subsidiary Companies with Access to Mental Health Care	All Subsidiary Companies with Access to Mental Health Care
<b>Gender Equality</b>	33% Women in Supervisory and Managerial Positions	At least 30% Women in Supervisory and Managerial Positions
<b>Sustainable Communities</b>	22% of Total Households with Access to Level 3 Water System	64% of Total Households with Access to Level 3 Water System

**88.7 M** safe manhours

**62,799** training hours for employees

**33%** of women in supervisory or managerial positions

**₱65 M** spent on relief goods

# OUR SUSTAINABILITY PERFORMANCE AND TARGETS

ESG is at the forefront of our priority to address material risks with our medium- to long-term targets

## Our Sustainability Performance and Targets Highlights



Metric	2022 Achievements	2025 Targets
<b>Diversity and Inclusion</b>	33% Average Women Representation in Top Level Management Positions	30% Average Women Representation in Top Level Management Positions
<b>Transparency</b>	\$119 mn Local and National Taxes & Royalties Paid	\$101mn Taxes & Royalties Paid
<b>Zero Bribery</b>	Zero (0) Bribery Incidents	Zero (0) Bribery Incidents
<b>Governance Mechanism</b>	Created Board-level Sustainability Committee and Appointed a Chief Sustainability Officer	Incorporate ESG strategy with Risk Management Framework
<b>Board Commitments</b>	ESG External Assessment	Evaluation and Updating of Roadmap based on Accomplishment and Assessment

**Active participant of the United Nations Global Compact (UNGC)**

**Supporter of Task Force on Climate-Related Financial Disclosures (TCFD)**

**Creation of a board-level Sustainability Committee**

# RECOGNITIONS IN 2022

## PMIEA AWARDS

Two of NAC mines were conferred the Presidential Mineral Industry Environment Award (PMIEA)—the **highest award** given by the President of the Philippines for the best in the Philippine mining industry.

## ICD RECOGNITION

Our corporate governance performance was recognized by the Institute of Corporate Directors in 2022. NAC **received Two Golden Arrows** for its ASEAN Corporate Governance Scorecard

## BEST BASIC MATERIALS COMPANY

NAC received a **Gold citation**, and we were **one of only four companies** in the Basic Materials Company sector recognized this year by FinanceAsia, the premier capital markets publication in the region.



- **Platinum Achievement Award**



**RTN**

- **Platinum Achievement Award**
- **Titanium Achievement Award**



**HMC**

- **Presidential Mineral Industry Environmental Award**



**TMC**

- **Presidential Mineral Industry Environmental Award**
- **Platinum Achievement Award**

# ESG IN OUR DNA

We deliver responsible mining and make a lasting impact to the communities and environment that we operate in.



## CREATION OF SUSTAINABILITY COUNCIL

The Council is a management-level group tasked with integrating the Company's sustainability initiatives. The Council is composed of representatives from the Compliance and Corporate Services Group, Sustainability Sector, Public Affairs and Communications Sector, Risk Management Sector, Finance and Revenue Management Group, Revenue Generation Group, and Energy Group.



## COMPLETED NAC ESG ROADMAP (PHASE 1)

The approved Phase 1 Roadmap outlines the future direction of the Corporation and ensures accountability on the key performance metrics.

# 2022

1M

Seedlings planted

73

Hectares land rehabilitated

269

Hectares land reforested

2,404

Scholars supported

0

Incidents of corruption and Human rights violation

193

Number of IP members

\$5.71M

Social Development and Management Program, Corporate Social Responsibility

# Q&A

# Submitted questions

Ms. Cristina Ulang and Ms. Col Palumbarit of First Metro asks:

How much of HPAL product as share of total revenues do you export to China? Recent data will do for these and for next questions.

How much is total exports as share of total revenues? Percentage will do.

What is the impact of China eco slowdown to your 2023 and 2024 total shipment volume.. Reduction? Is it significant?

What's your nickel LME price expectations and your shipment price expectations too? Reduction or upward? Significant? or just stable.

Revenue mix per geography and local and exports. Percentages would do

Mr. Amos Ong of CLSA asks:

1. Any updates on Bulanjao and Manicani? Which quarter of the target year can the mines begin operations? Will all of the output be exported or will a portion be allocated to HPAL deliveries?
2. Given the oversupply of Indonesia to China, are there plans to redirect some of the output to Japan or Australia? Could this help remedy the current sluggish demand for stainless steel from China?
3. When do you anticipate the Chinese stimulus in the property market to result in improved nickel prices? Can it already be felt later on in the year?
4. Have the Taganito and Coral Bay HPAL plants been operating in maximum capacity this year? Are there any possible delays foreseen in the HPAL operations?
5. What is your view on emerging alternative battery technologies that are non-nickel such as LFP? If battery makers end up creating an LFP with comparable energy densities as nickel-rich cathodes at low cost, how will you address this possible scenario?



Mr. Matthew Roxas of BDO trust asks:

What are the company's plans given the extended rainy season that the country seemed to experience in the 2nd quarter of the year.

# Live Q&A

# APPENDIX

# NIKL AT A GLANCE

Largest producer of lateritic ore in the Philippines, 39% of Philippine nickel mine production and 5.6% of global nickel mine production in 2021, and through Emerging Power, Inc., is a forerunner in the Philippine renewable energy industry with aspirations to hit 1GW installed capacity by 2028.

## COMPANY FACTS

8

Mines

436 mWMT\*

Total nickel resources as of 2022

\*395m WMT of which is measured and indicated, the remaining balance is inferred.

15.625% and 10%

Interest in Coral Bay and Taganito HPAL plants, respectively.

1 GW

Installed renewable energy capacity by 2028 from current 100 MW solar capacity

## PERFORMANCE

As of YE 22

P28B

Revenue

P79.6B

Market capitalization

51%

EBITDA Margin

- 0.5x

NET DEBT / EBITDA

## OUR PARTNERS

 SUMITOMO METAL MINING CO., LTD.

 PACIFIC METALS CO., LTD.

 Shell

 TBEA 特变电工

## SUSTAINABILITY EFFORTS 2017-2021

7M

Trees planted

\$422M

Taxes and royalties paid

1,250

Hectares rehabilitated

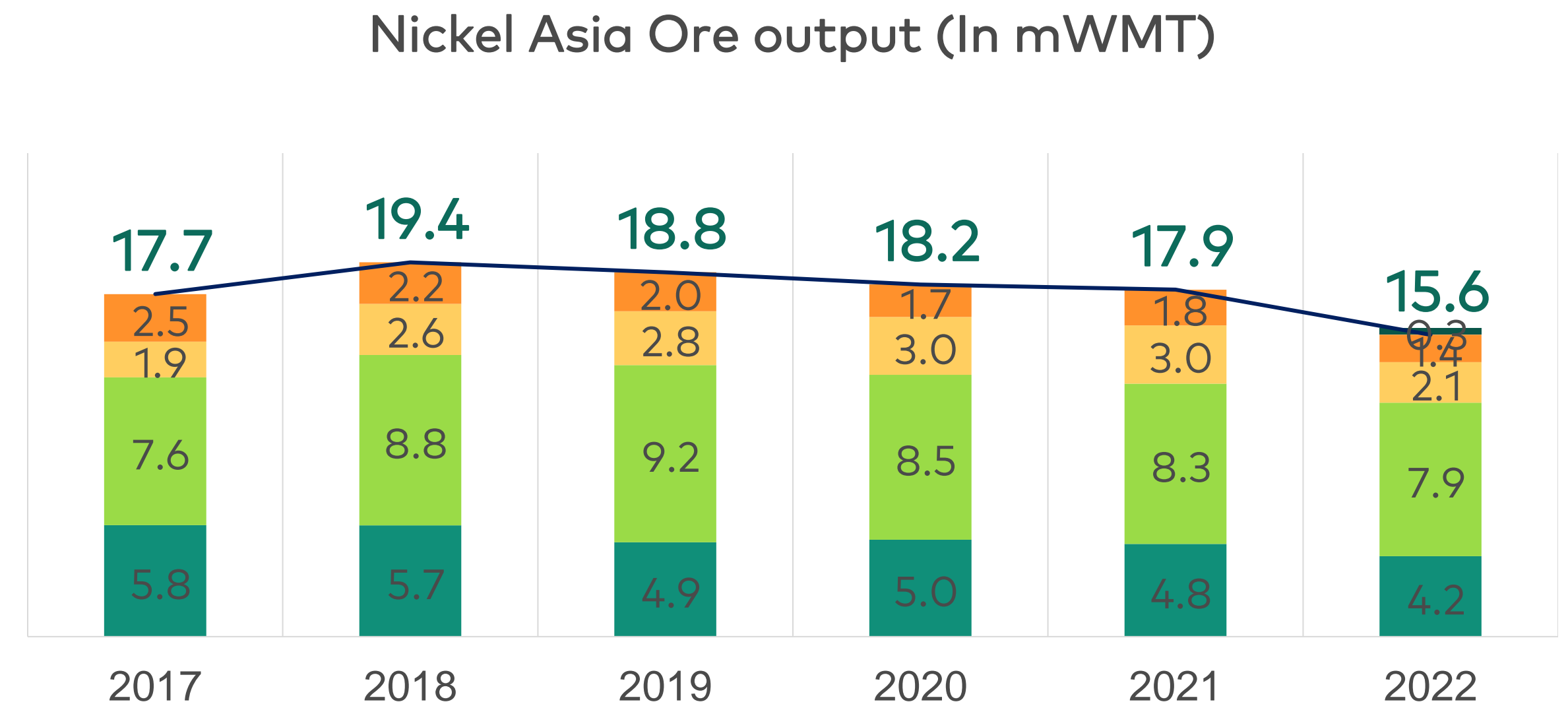
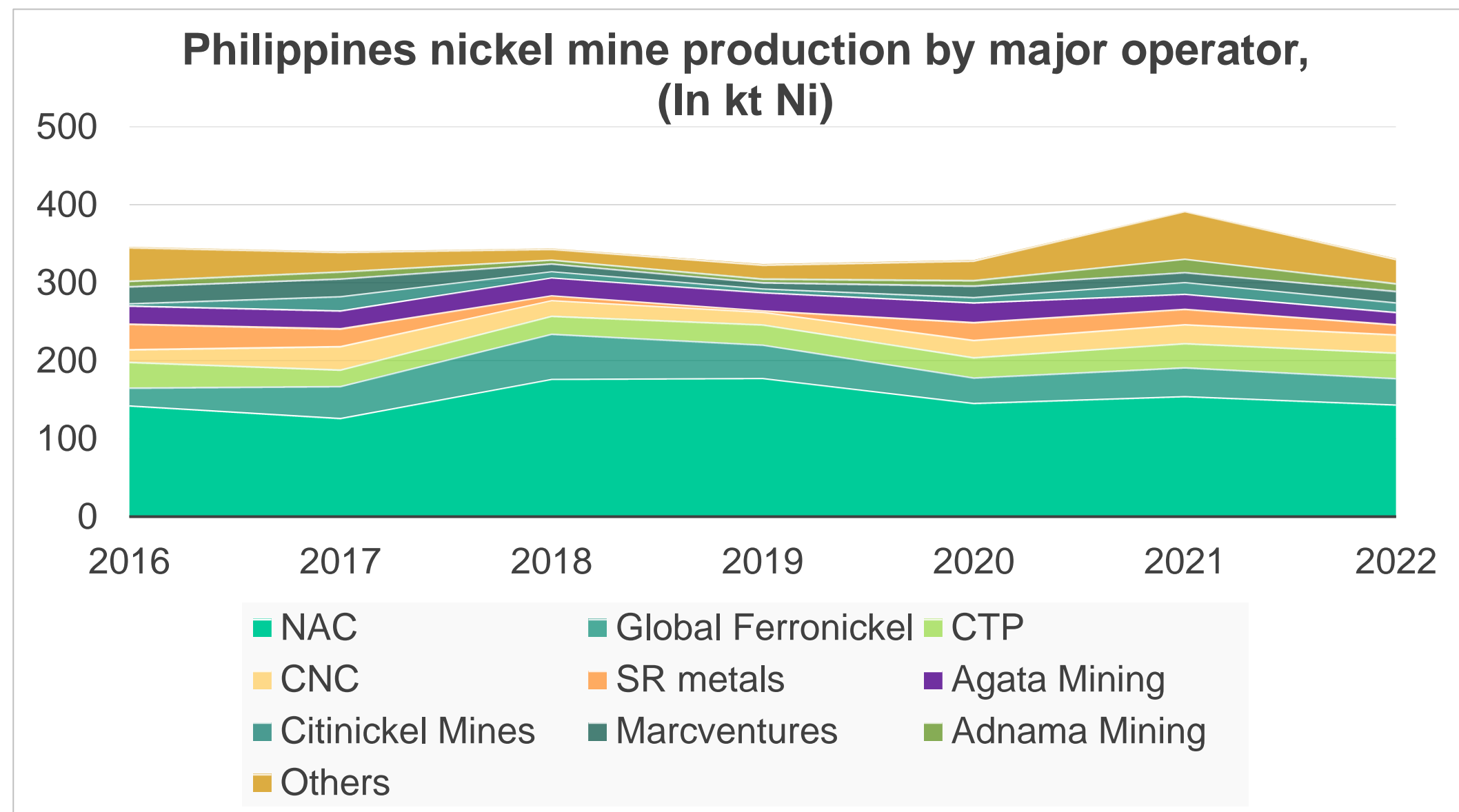
\$53M

Expenditures for Environmental Protection

# LEADING AND STABLE MINING BUSINESS

Nickel Asia is the largest Philippine nickel ore producer

... the Philippines largest established supplier.



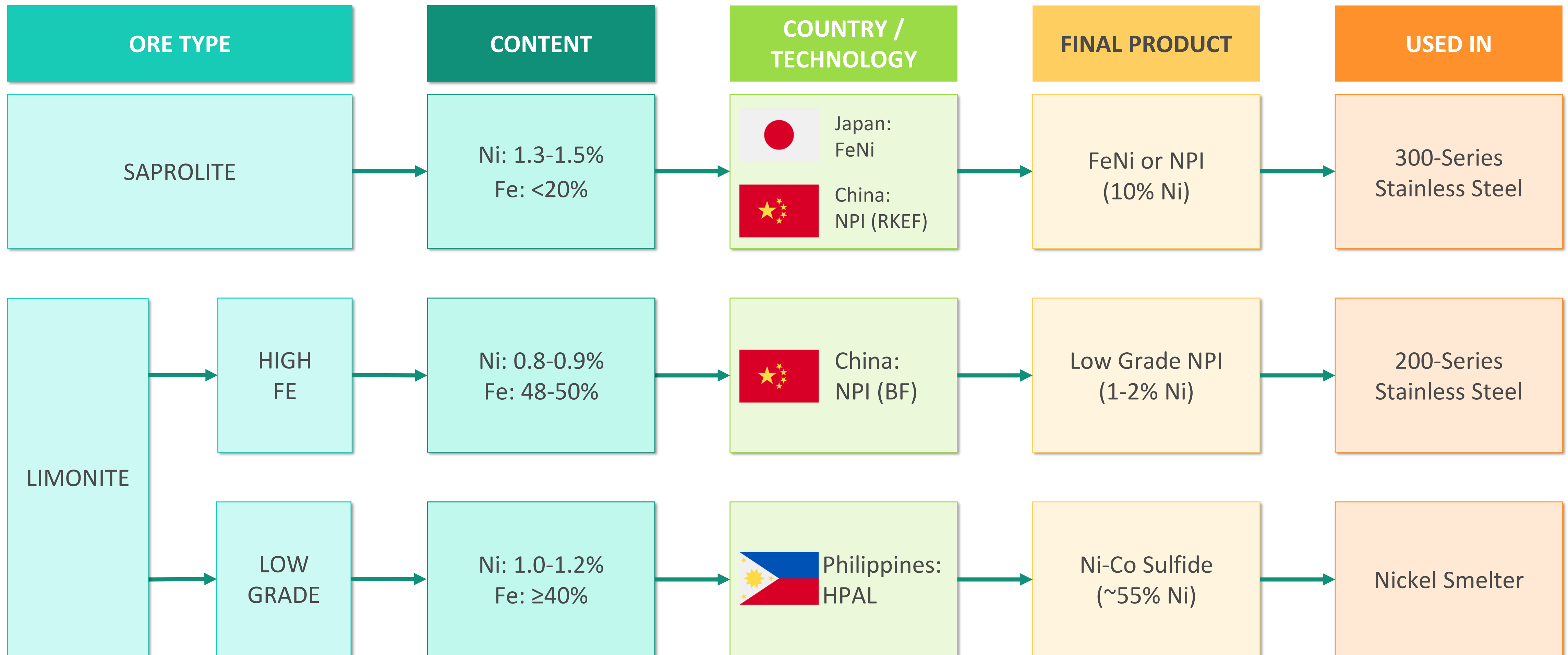
Taganito Cagdianao Hinatuan Dinapigue —Total

- NAC is one of the largest suppliers of lateritic nickel ore globally and the largest nickel ore producer in the Philippines. Its ore production was ~16Mt nickel ore (~144kt Ni) in 2022.

Source: CRU

- **Stable long-term nickel ore output** due to long remaining mine life of its operating mines and substantial exploration programs in Bulanjao and Manicani that will see them in operation by 2024.

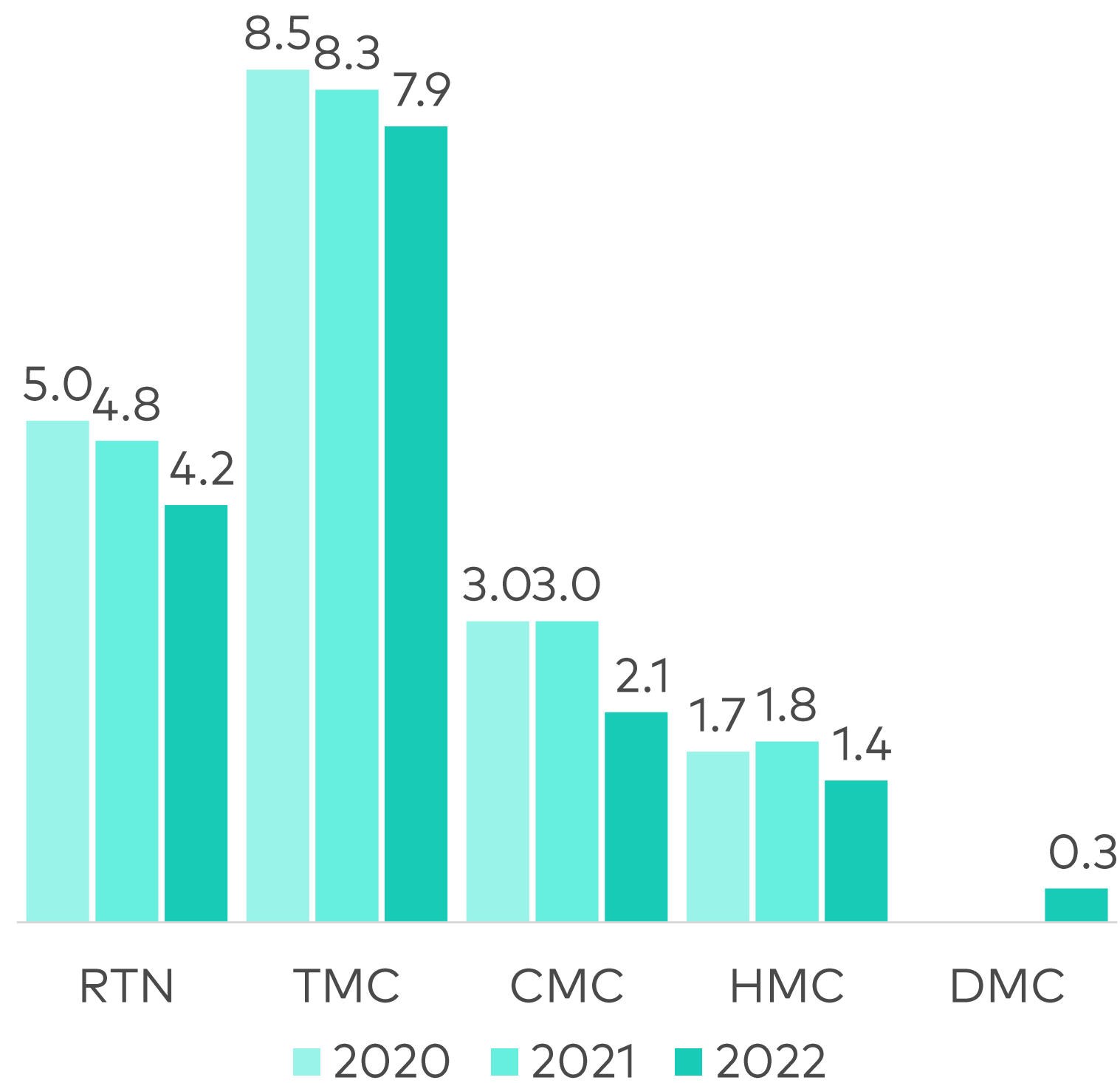
# NICKEL ORE PRODUCTS



# RESERVES AND MINE LIFE

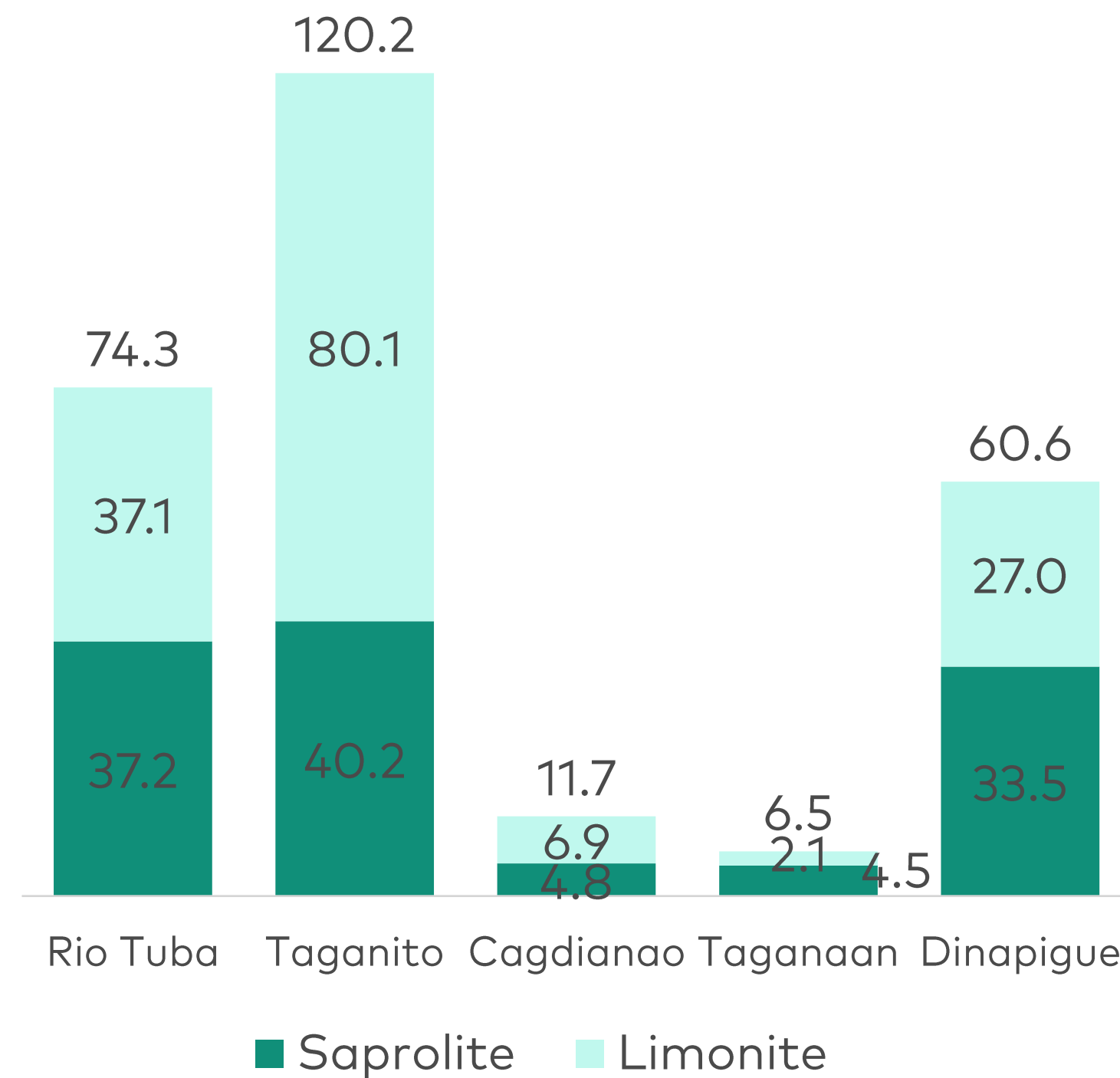
Nickel Asia has the largest nickel reserves and its mines have the longest remaining mine life in the industry

Shipments by Mine (mWMT)



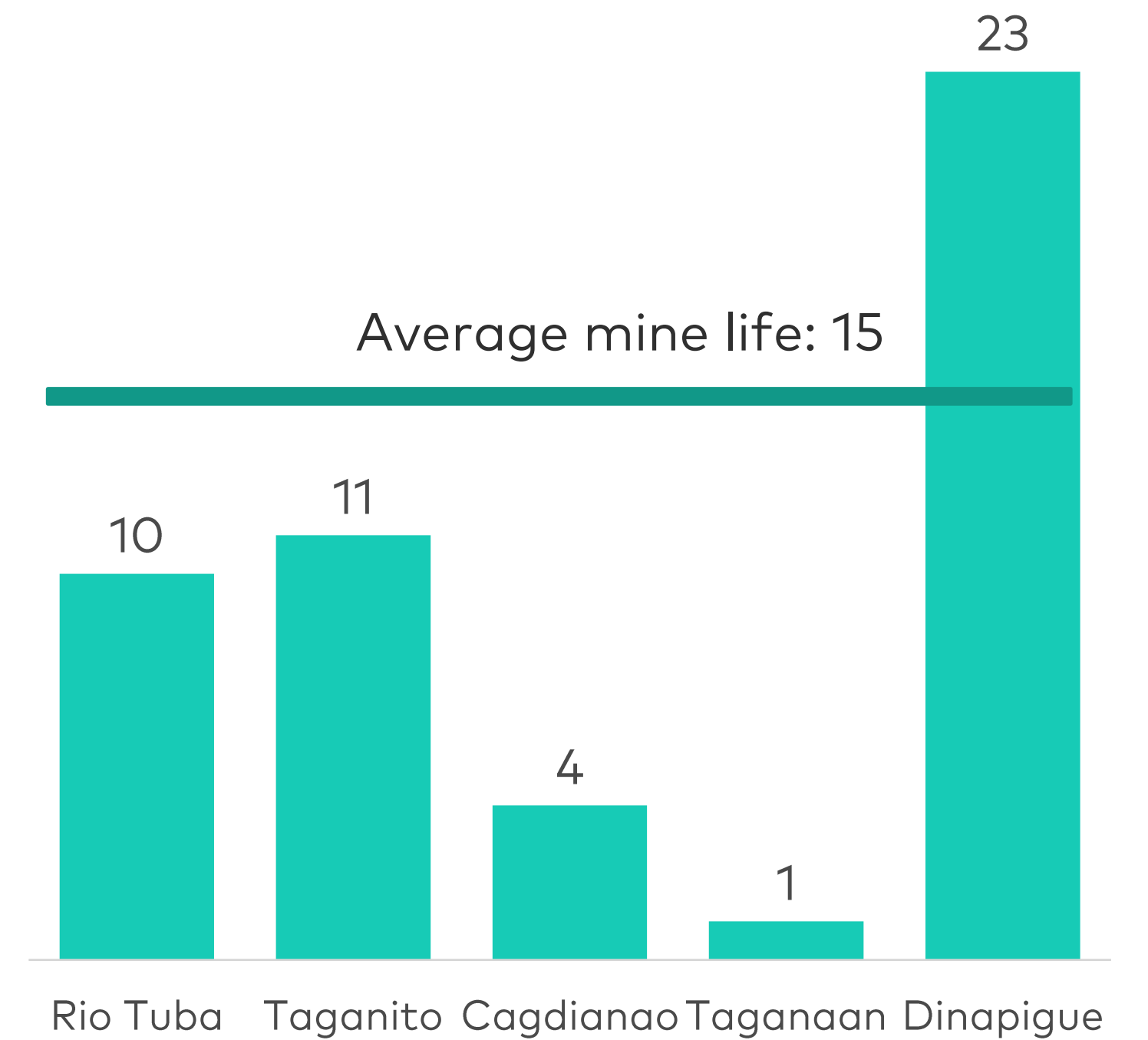
Ore Reserves by Mine (mWMT)

Proved and Probable (as of Dec. 31, 2022)



Mine Life

Years from December 31, 2021

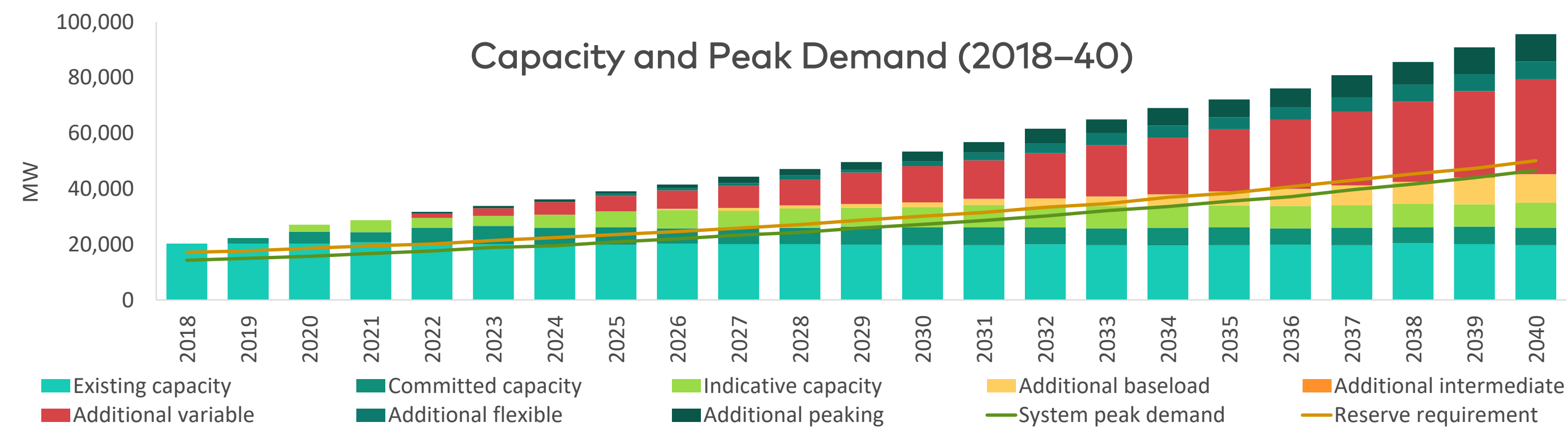


# RENEWABLE ENERGY



# PHILIPPINE SHIFT TO RENEWABLE ENERGY

- Demand growth of 6%+ p.a. until 2040, exceeding dependable capacity by 2024:



- Key drivers of electricity consumption:



Macroeconomic recovery post-pandemic and strong population growth

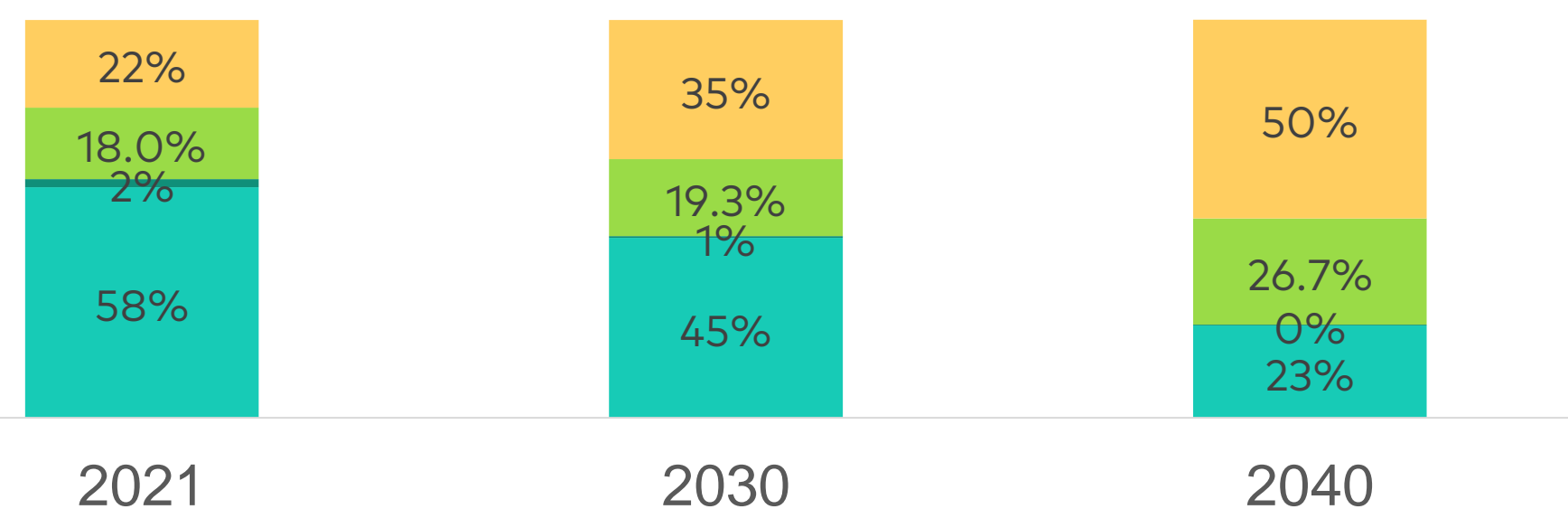


Government goal and supporting programs to accelerate and achieve 100% electrification by 2028, and energy sufficiency by 2030

- At least 50% of electricity demand to be supplied by RE by 2040, half of which coming from solar, wind and geothermal:

**Power Generation by Fuel Type (2021 vs. 2030 vs. 2040)**

■ Coal ■ Oil-Based ■ Natural Gas ■ RE

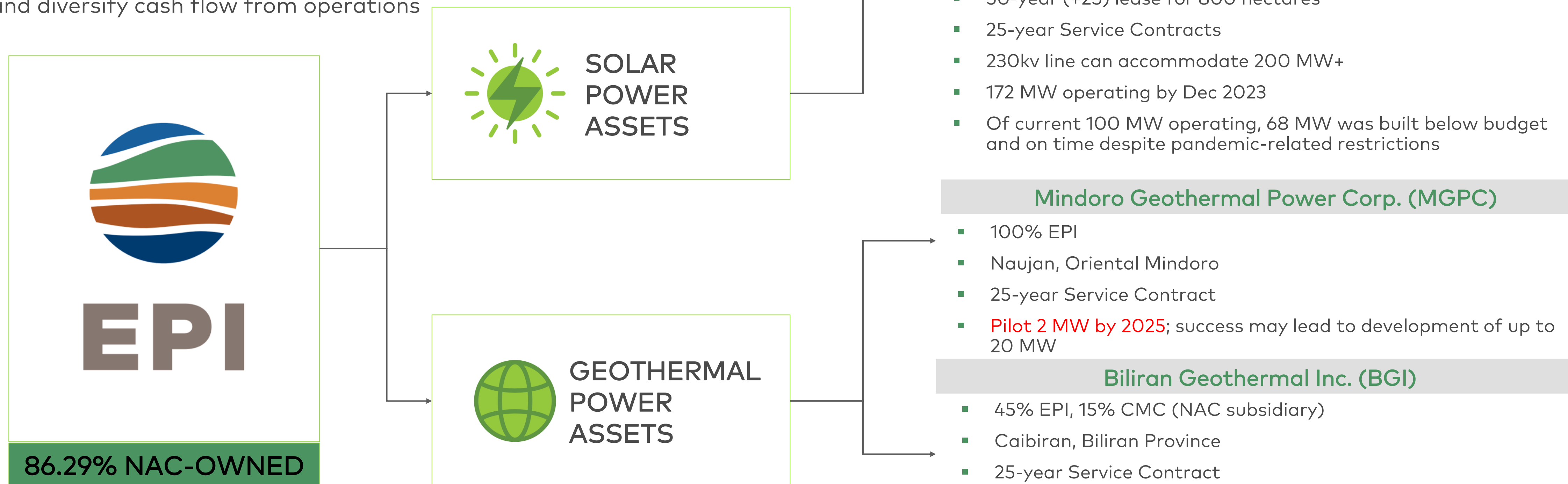


- RE development facilitated by favorable government policies and infrastructure:
  - ✓ RE Act of 2008
  - ✓ "Must (priority) dispatch" for RE resources
  - ✓ Feed-in Tariff
  - ✓ Renewable Portfolio Standards (RPS)
  - ✓ Green Energy Auction
  - ✓ Green Energy Options
  - ✓ Launch of WESM Mindanao

Source: DOE, EIA

# INVESTMENT INTO RENEWABLE ENERGY<sup>1</sup>

The Philippine energy sector's shift to renewable sources provides a favorable market for us to grow our renewable energy capacity and is in line with our corporate culture of sustainability. Our dual growth strategy in mining and clean energy will support both our double-digit income growth goals and ESG thrust, and diversify cash flow from operations



**Jobin SQM, Inc. (JSI)**

- 52% EPI, 38% NAC
- Subic Bay Freeport Zone
- 50-year (+25) lease for 800 hectares
- 25-year Service Contracts
- 230kv line can accommodate 200 MW+
- 172 MW operating by Dec 2023
- Of current 100 MW operating, 68 MW was built below budget and on time despite pandemic-related restrictions

**Mindoro Geothermal Power Corp. (MGPC)**

- 100% EPI
- Naujan, Oriental Mindoro
- 25-year Service Contract
- Pilot 2 MW by 2025; success may lead to development of up to 20 MW

**Biliran Geothermal Inc. (BGI)**

- 45% EPI, 15% CMC (NAC subsidiary)
- Caibiran, Biliran Province
- 25-year Service Contract
- Pilot 2 MW by 2023; success may lead to development of up to 50 MW
- Site has P50 resources assessment of at least 255 MW, making it the only remaining undeveloped large-scale geothermal field in the country

Source: Company filings.  
Notes: (1) NAC standalone renewable plans prior to EPI and Shell Joint Venture partnership for development of renewable energy.

# PARTNERSHIP WITH SHELL A SIGNIFICANT MILESTONE

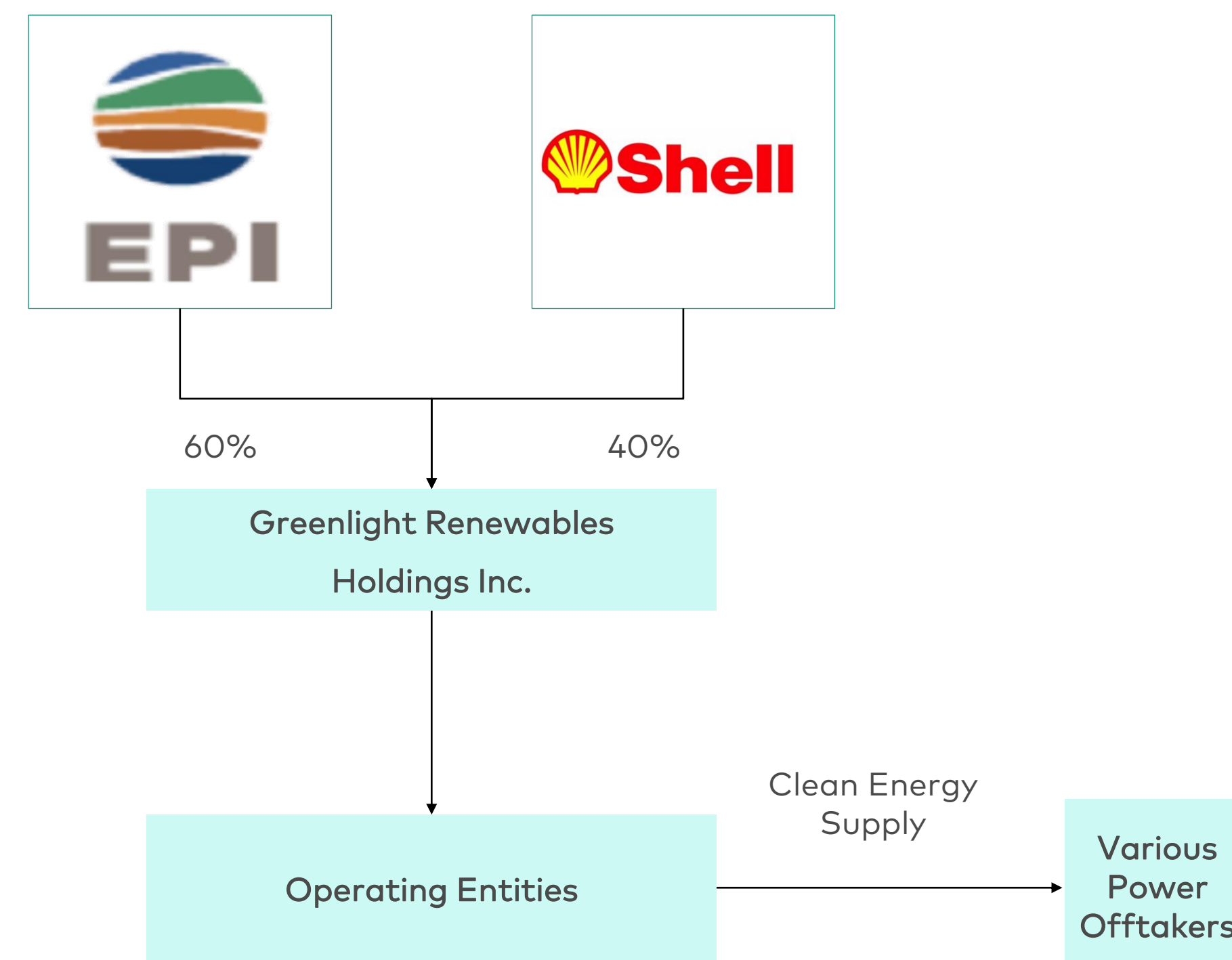
## The Joint Venture

- On July 1, 2022, EPI and Shell signed a Joint Venture (JV) partnership to jointly develop, own, operate, and maintain onshore renewables projects in the Philippines
- Exclusive platform for utility scale grid-connected solar PV, onshore wind and energy storage systems in the Philippines
- Capacity target of 1 GW by 2028 with aspirations of up to 3 GW
- Scheduled to launch its first project in 2023

## Key Areas of Strategic Partnership and Collaboration

- 1 A strategic partnership with well-established global player like Shell
- 2 Leverages Shell's technical expertise and integrated solutions as a global energy company
- 3 Exploring synergies with a competitive retail electricity supplier (Shell Energy Philippines)
- 4 Tap into additional areas of synergies and operational collaboration between EPI and Shell

## Corporate Structure





# INVESTMENT PARAMETERS

In selecting sites, we follow these criteria:

- Irradiance, wind, or geothermal resources assessment are better than average
- Possessory rights are clear and robust
- Viable and cost-effective connection solution to the grid
- ESG best practices can be implemented

In developing solar farms, depending on the site, we are targeting:

**99% & 16-20%**

Availability and Plant Factor

**60-70%**

Minimum capacity contracted under long-term PSA

**60-80%**

Non-recourse PHP Project Loans (10-15 yrs)

**85% & 35%**

EBITDA Margin and Net Income Margin

**12-20%**

Equity IRR

An assumed tariff of PHP

**5.0/kWh**



Net income of PHP

**300-350 mm**

Per 100 MW of solar capacity