



S.E.C. Number CS200811530

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

**NICKEL ASIA CORPORATION**

(Company's Full Name)

**NAC Tower 32nd Street,  
Bonifacio Global City, Taguig**

(Company's Address)

**+63 2 892 6669 / +63 2 892 4177**

(Telephone Numbers)

**December 31**

(Fiscal Year Ending)

(month & day)

**SEC FORM 17-Q Quarterly Report**

Form Type

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

**For the Quarter Ended**

**June 30, 2015**

Period Ended Date

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

1. For the quarterly period ended: JUNE 30, 2015
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: NAC Tower 32nd Street, Bonifacio Global City, Taguig  
Postal Code: 1634
8. Issuer's telephone number, including area code: +63 2 892 6669 / +63 2 892 4177
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>3,795,885,515 shares</b>
<b>Long-term Debt</b>	<b>Php1,383.7 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 [  ]



**NICKEL ASIA CORPORATION**  
**17-Q QUARTERLY REPORT**  
**JUNE 30, 2015**

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**PART I – FINANCIAL INFORMATION**

**Item A. Financial Statements**

The Unaudited Interim Consolidated Financial Statements as at June 30, 2015 and for the six-month period ended June 30, 2015 and 2014 (with Comparative Audited Statement of Financial Position as at December 31, 2014) are hereto attached.

The following tables set forth the summary financial information for the six-month period ended June 30, 2015 and 2014 and as at June 30, 2015 and December 31, 2014:

**Summary Consolidated Statements of Income**

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<i>(In thousand pesos)</i>		<i>(In thousand pesos)</i>	
Revenues	4,850,673	7,640,114	7,971,401	9,338,290
Cost and expenses	(3,270,376)	(2,983,625)	(5,220,783)	(4,256,295)
Finance income	83,997	26,917	140,874	62,129
Finance expenses	(33,936)	(33,631)	(66,901)	(76,167)
Equity in net income (losses) of associates	(152,614)	388,480	60,177	400,136
Other income - net	117,259	53,719	133,093	97,785
Provision for income tax - net	(458,167)	(1,398,917)	(843,567)	(1,533,496)
Net income	<u>1,136,836</u>	<u>3,693,057</u>	<u>2,174,294</u>	<u>4,032,382</u>
Net income attributable to:				
Equity holders of the Parent	814,614	2,536,728	1,490,381	2,713,866
Non-controlling interests	<u>322,222</u>	<u>1,156,329</u>	<u>683,913</u>	<u>1,318,516</u>
	<u>1,136,836</u>	<u>3,693,057</u>	<u>2,174,294</u>	<u>4,032,382</u>

**Summary Consolidated Statements of Financial Position**

	<b>June 30,</b>	<b>December 31,</b>	<b>Increase</b>	<b>Percent</b>
	<b>2015</b>	<b>2014</b>		
	<i>(Unaudited)</i>	<i>(Audited)</i>	<b>(Decrease)</b>	<b>Inc (Dec)</b>
	<i>(In Thousand Pesos)</i>			
Current assets	18,137,320	20,611,470	(2,474,150)	-12%
Noncurrent assets	15,524,592	14,572,438	952,154	7%
Total assets	<u>33,661,912</u>	<u>35,183,908</u>	<u>(1,521,996)</u>	<u>-4%</u>
Current liabilities	2,295,761	2,114,567	181,194	9%
Noncurrent liabilities	2,136,486	2,166,995	(30,509)	-1%
Equity attributable to				
equity holders of the Parent	24,934,037	27,185,631	(2,251,594)	-8%
Non-controlling interests	<u>4,295,628</u>	<u>3,716,715</u>	<u>578,913</u>	<u>16%</u>
Total liabilities and equity	<u>33,661,912</u>	<u>35,183,908</u>	<u>(1,521,996)</u>	<u>-4%</u>

**Summary Consolidated Statements of Cash Flows**

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
	<i>(In Thousand Pesos)</i>		<i>(In Thousand Pesos)</i>	
Net cash flows generated from (used in):				
Operating activities	1,721,326	2,186,720	2,060,392	2,473,673
Investing activities	(214,911)	(745,025)	(4,017,450)	(1,175,462)
Financing activities	(3,834,788)	(798,101)	(3,855,201)	(1,719,969)
Net increase (decrease) in cash and cash equivalents	<u>(2,328,373)</u>	<u>643,594</u>	<u>(5,812,259)</u>	<u>(421,758)</u>
Cash and cash equivalents, beginning	10,077,917	9,168,984	13,561,803	10,234,336
Cash and cash equivalents, end	<u>7,749,544</u>	<u>9,812,578</u>	<u>7,749,544</u>	<u>9,812,578</u>

**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 six months ended June 30, 2015 and 2014, 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.

**Six months ended June 30, 2015 compared with six months ended June 30, 2014**

*Revenues*

Our total revenues were ₱7,971.4 million for the six months ended June 30, 2015 compared to ₱9,338.3 million for the six months ended June 30, 2014, a decrease of ₱1,366.9 million or 15%.

*Sale of ore*

We sold an aggregate 9,677.8 thousand wet metric tons (WMT) of nickel ore in the first half of 2015, an increase of 25% compared to 7,728.9 thousand WMT of nickel ore in the first half of 2014. Our sales for this period included 3,779.6 thousand WMT of saprolite ore sold to our customers in Japan, China and Australia, 2,287.1 thousand WMT of limonite ore to our customers in China and Australia and 3,611.1 thousand WMT of limonite ore to Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THNC) compared to sales of 2,251.3 thousand WMT, 1,859.3 thousand WMT and 3,618.3 thousand WMT, respectively, in the same period last year.

The estimated realized nickel price on 6,066.7 thousand WMT of ore sales to Japan, China and Australia in the first half of 2015 averaged \$23.10 per WMT, much lower than the average of \$41.52 per WMT realized on 4,110.7 thousand WMT of ore sales during the same period last year. It will be recalled that it was during the second quarter of 2014 when a surge in ore prices occurred due to the expectation of supply tightness resulting from the effects of the Indonesian export ore ban.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito processing plants, which remain linked to London Metal Exchange (LME) prices, the Group realized an

average of \$6.22 per pound of payable nickel on 3,611.1 thousand WMT sold during the first six months of the year. This compares to an average price of \$7.57 per pound of payable nickel on 3,618.3 thousand WMT sold during the same period last year.

We own 60% of Rio Tuba Nickel Mining Corporation (RTN), which owns and operates the Rio Tuba mine. RTN's revenue from sale of nickel ore was ₱3,103.6 million in first half of 2015 compared to ₱3,028.5 million in first half of 2014, an increase of ₱75.1 million or 2%. RTN sold an aggregate 3,763.8 thousand WMT of nickel ore in the first six months of 2015 compared to an aggregate 2,974.0 thousand WMT of nickel ore sold in the same period last year. The volume of saprolite ore sold to Japanese customers decreased by 279.4 thousand WMT or 46%, the volume of saprolite and limonite ore sold to Chinese customers increased by 1,062.1 thousand WMT or 150% and the volume of limonite ore sold to CBNC decreased by 104.4 thousand WMT or 6%. Moreover, RTN managed to ship a total of 111.5 thousand WMT of saprolite ore to Australia in first half of 2015 whereas there was none in the same period last year.

RTN's revenue from sale of limestone ore was ₱201.2 million in the first half of 2015 compared to ₱140.4 million in the first half of 2014, an increase of ₱60.8 million or 43%. There was an increase of 95.5 thousand WMT or 50% in limestone sales during the first half of 2015 due to deliveries to Unichamp Mineral Philippines Inc., which started in August 2014 only.

We own 65% of Taganito Mining Corporation (TMC), which owns and operates the Taganito mine. TMC's revenue from sale of nickel ore was ₱2,556.4 million in first half of 2015 compared to ₱3,398.9 million in first half of 2014, a decrease of ₱842.5 million, or 25%. TMC sold an aggregate 3,697.8 thousand WMT of nickel ore in first half of 2015 compared to an aggregate 3,286.0 thousand WMT of nickel ore in the same period last year. The volume of saprolite ore sold to Japanese customers decreased by 55.1 thousand WMT or 16% and the volume of saprolite and limonite ore sold to Chinese customers increased by 369.5 thousand WMT or 38%. Further, TMC was able to deliver 2,058.0 thousand WMT of limonite ore to THNC plant in first half of 2015 as against 1,960.7 thousand WMT in first half of 2014.

We own 100% of CMC which owns and operates the Cagdianao mining operations. CMC's revenue from sale of nickel ore was ₱968.9 million in the first six months of 2015 compared to ₱963.1 million in the first six months of 2014, an increase of ₱5.8 million, or 1%. Shipments from the Group's Cagdianao mine rose more than three times in first half of 2015 to 1,004.1 thousand WMT compared to 322.7 thousand WMT in the same period last year. Ore sales from Cagdianao mine consisted of 309.2 thousand WMT of saprolite ore and 694.9 thousand WMT of limonite ore compared to last year's 212.5 thousand WMT and 110.2 thousand WMT, respectively,

We also own 100% of HMC which owns and operates the Taganaan mining operations. HMC's revenue from sale of nickel ore was ₱827.2 million in the first six months of 2015 compared to ₱1,473.2 million in the first six months of 2014, a decrease of ₱646.0 million, or 44%. Shipments from Taganaan mine in both periods have almost the same volume, 1,212.2 thousand WMT in first half of 2015 and 1,146.2 thousand WMT in first half of 2014. A total of 157.5 thousand WMT of saprolite ore and 1,054.7 thousand WMT of limonite ore were shipped during the first half of this year compared to 51.3 thousand WMT and 1,094.9 thousand WMT, respectively, in the same comparable period last year.

#### *Services and Others*

Our revenue from services and others was ₱314.1 million for the first six months of 2015 compared to ₱334.2 million for the same period in 2014, a decrease of ₱20.1 million, or 6%.



Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

#### Costs and Expenses

Our costs and expenses amounted to ₱5,220.8 million in the first half of 2015 compared to ₱4,256.3 million in the first half of 2014, an increase of ₱964.5 million, or 23%.

#### *Cost of Sales*

In the first half of 2015, our cost of sales was ₱3,183.2 million compared to ₱2,328.5 million in the same period last year, an increase of ₱854.7 million, or 37% primarily due to the 25% increase in volume of shipments. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱1,119.8 million to ₱1,364.8 million and outside services from ₱402.5 million to ₱950.0 million. Aside from the 211% increase in CMC's shipment volume which significantly contributed in the upward movement of cost of sales, the weather also allowed for saprolite mining activities in TMC mine wherein in-house resources were utilized, thus limonite mining and hauling were done by contractors. RTN also hired contractors for its hauling activities.

#### *Cost of Services*

Cost of services was ₱185.9 million for the first six months of 2015 compared to ₱188.9 million for the first six months of 2014, a decrease of ₱3.0 million, or 2%. 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.

#### *Shipping and Loading*

Shipping and loading costs were ₱907.2 million for the six months ended June 30, 2015 compared to ₱745.5 million in the same comparable period last year, an increase of ₱161.7 million, or 22%. Aside from the 48% increase in volume of our direct export of ores to Japan, China and Australia, the movement in shipping and loading costs was also brought by the use of outside contractors to haul ore materials to the barge because a number of dump trucks were under repair.

#### *Excise Taxes and Royalties*

Our excise taxes and royalties were ₱515.9 million in the first half of 2015 compared to ₱554.0 million in the first half of 2014, a decrease of ₱38.1 million, or 7%. The decrease in excise taxes and royalties was attributable to the 15% decline in our sales revenue from sale of ore in the first six months of 2015 compared to the same period last year.

#### *Marketing*

Marketing costs were ₱52.1 million and ₱54.9 million for the six months ended June 30, 2015 and 2014, respectively. Basically, this pertains to the marketing fee charged by Mitsubishi Corporation to the group and the commission paid by CMC to its claim owner based on a certain percentage of the latter's sales revenue.

#### *General and Administrative*

General and administrative expenses were ₱376.4 million in the first six months of 2015 compared to ₱384.4 million in the first six months of 2014, a decrease of ₱8.0 million, or 2%. During the first half of 2015, taxes and licenses is lower by ₱50.3 million because no stock options were exercised during the period compared to the same period last year wherein a total

of 7.1 million shares were exercised and the related fringe benefit tax paid amounted to ₱38.5 million. Aside from that, tax deficiency of ₱24.9 million was paid last year. The decrease in taxes and licenses was partially offset by the increase in personnel costs resulting from the accrual of 2014 stock option plan and employee salary appraisal which became effective in July 2014; and the increase in repairs and maintenance expense brought by the inspection and maintenance of Learjet.

#### Finance Income

Our finance income was ₱140.9 million in the first six months of 2015 compared to ₱62.1 million in the first six months of 2014, an increase of ₱78.8 million, or 127%. Aside from higher interest income earned from short-term cash investments and AFS financial assets by ₱37.3 million, the Group also sold some of its AFS financial assets at a gain of ₱36.6 million in the first half 2015. There were no disposals of AFS financial assets in the first half of 2014.

#### Finance Expenses

Our finance expense was ₱66.9 million in the first six months of 2015 compared to ₱76.2 million in the first six months of 2014, a decrease of ₱9.3 million, or 12%. Basically, the movement in our finance expense arises from the decrease in our loan guarantee service fee, which moved from ₱72.0 million to ₱62.6 million, due to semi-annual loan repayments made by THNC. The guarantee service fee is related to the Taganito HPAL project.

#### Equity in Net Income of Associates

Our equity in net income of THNC and CBNC was ₱60.2 million and ₱400.1 million in the first half of 2015 and 2014, respectively. The result of THNC and CBNC's operations in the first half of 2015 was a net income of US\$1.8 million and US\$9.4 million, respectively. During the same period last year, THNC and CBNC's operations resulted to a net income of US\$29.1 million and US\$48.8 million, respectively. The lower net income of THNC and CBNC in 2015 was caused by the significant decline in nickel price.

#### Other Income - Net

Our other income - net in the first half of 2015 was ₱133.1 million compared to ₱97.8 million in the same period last year, an increase of ₱35.3 million, or 36%. The significant increase in our other income - net was brought mainly by the movement in foreign exchange from a loss of ₱29.8 million in the first six months of 2014 to a gain of ₱46.6 million in the first six months of 2015. In both periods, the Group was in net foreign currency denominated financial asset position but the closing value of peso to dollar in the first half of 2015 of ₱45.09 was higher compared to ₱43.65 in the first half of 2014, thus the increase in foreign exchange gains in the current period. However, during the current period, the reversal of allowance for impairment losses on beneficiated nickel ore inventory amounted to ₱1.1 million only compared to ₱40.2 million in the same comparable period last year, and this offset the increase in foreign exchange gains.

#### Provision for (Benefit from) Income Tax - Net

Net provision for income tax was ₱843.6 million in the first half of 2015 compared to ₱1,533.5 million in the first half of 2014, a decrease of ₱689.9 million, or 45%.

Our current provision for income tax in the first six months of 2015 was ₱890.6 million compared to ₱1,557.3 million in the first six months of 2014, a decrease of ₱666.7 million, or 43% primarily due to the decrease in our taxable income brought by lower sales revenue in 2015 as compared to 2014. Our benefit from deferred income tax in the first six months of 2015

was ₱47.0 million compared to ₱23.8 million in the first six months of 2014, an increase of ₱23.2 million, or 97%. The benefit from deferred income tax in 2015 was higher due to the effect of the following: 1) the tax impact of HMC and CMC's reversal of allowance for impairment losses amounting to ₱12.1 million and ₱4.9 million, respectively, in the first six months of 2014 decrease the benefit from deferred income tax of the said period. In the first six months of 2015, there were no reversal of allowances made; 2) CMC's application of its excess MCIT of ₱19.8 million in the first half of 2014 also contributed to the decrease in benefit from deferred income tax. No excess MCIT was applied during the first half of 2015; and 3) the tax effect of the realized portion of prior year's unrealized foreign exchange gains of TMC was higher by ₱13.5 million in the first six months of 2015 compared to same period last year. On the other hand, the increase in benefit from deferred income tax was offset by the Parent Company's increase in net provision for deferred income tax by ₱28.0 million which resulted mainly from the application of net operating loss carry over in the current period.

#### Net Income

As a result of the foregoing, our consolidated net income was ₱2,174.3 million in the first half of 2015 compared to ₱4,032.4 million in the first half of 2014. Net of non-controlling interests, our net income was ₱1,490.4 million in the first half of 2015 compared to ₱2,713.9 million in the first half of 2014, a decrease of ₱1,223.5 million, or 45%.

#### Statement of Financial Position

As at June 30, 2015, total assets decreased to ₱33,661.9 million from ₱35,183.9 million as of the end of 2014. Current assets decreased to ₱18,137.3 million from ₱20,611.5 million mainly because of the cash dividends paid during the period which amounted to ₱3,798.4 million. The decrease was slightly offset by the increase in trade and other receivables, inventories and prepayments and other current assets by ₱269.4 million, ₱225.1 million and ₱60.5 million, respectively.

The increase in noncurrent assets from ₱14,572.4 million to ₱15,524.6 million arise from increase in property and equipment by ₱234.5 million, resulting from acquisitions of property and equipment worth ₱943.7 million less depreciation and depletion of ₱708.3 million, and increase in other noncurrent assets by ₱722.7 million which pertains to the ₱449.8 million deposits for future stock subscription to Emerging Power Inc. and cash held by fund managers for investment purposes amounting to ₱193.3 million.

Total current liabilities increased to ₱2,295.8 million as at June 30, 2015 from ₱2,114.6 million as at December 31, 2014 due to trade and other payables, which increased from ₱1,482.6 million to ₱1,740.8 million. Total noncurrent liabilities decreased to ₱2,136.5 million as at June 30, 2015 from ₱2,167.0 million as at December 31, 2014 due to payments of long-term debt.

Our equity net of non-controlling interests as at June 30, 2015 decreased to ₱24,934.0 million from ₱27,185.6 million as of year-end 2014, due to the ₱3,795.9 million cash dividends paid in April 2015 less the results of operations for the first six months of 2015.

#### Statement of Cash Flows

The net cash from operating activities amounted to ₱2,060.6 million for the six months ended June 30, 2015 compared to ₱2,472.1 million for the same period last year. Basically, the decrease in cash from operations was due to lower sales revenue in the current period.

Net cash used in investing activities for the six months ended June 30, 2015 and 2014 amounted to ₱4,017.4 million and ₱1,175.5 million, respectively. During the first half of 2015, the net acquisitions of additional AFS financial assets, mostly investments in managed funds, were higher by ₱2,537.0 million compared to first half of 2014 which basically came from the cash dividends received by the Parent Company from its subsidiaries in December 2014. Net acquisitions of property and equipment during the first half of 2015 was also higher by ₱209.6 million compared to the same period last year.

In the first half of 2015 and 2014, the net cash used in financing activities amounting to ₱3,855.2 million and ₱1,720.0 million, respectively, arises mainly from payments of cash dividends and long-term debt.

As at June 30, 2015 and 2014, cash and cash equivalents amounted to ₱7,749.5 million and ₱9,812.6 million, respectively.

### **TOP FIVE KEY PERFORMANCE INDICATORS**

#### **1) SALES VOLUME**

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for nickel pig iron and lately, carbon steel, in China. Our sales of high-grade saprolite ore are mainly to Pacific Metals Co. Ltd. (PAMCO), who purchases our high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our low-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our low-grade saprolite ore and limonite ore sales to our 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, Sumitomo Metal Mining Co., Ltd. and our customers in China, we sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility, in which we have a 10% interest, and from our Taganito mine to the Taganito HPAL facility, in which we have a 22.5% equity interest. CBNC purchases an amount of limonite ore from us 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 23,000 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 contained nickel over an estimated 30-year Project life.

#### **Type and Grade of Ore that we Mine**

We realize higher sales prices for our saprolite ore than for our limonite ore. Accordingly, the type and grade (which is a factor of nickel content) of the ore that we mine affects our revenues from year to year. The quantity of saprolite ore that we mine annually depends on the customer demand and the availability of such ore at our mine sites. The mix between high-and low-grade saprolite ore at our mine sites coupled with our long-term mining plan determines the quantities of each that we extract on an annual basis. The quantity of limonite ore that we mine 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 the first half of 2015 and 2014, we sold an aggregate of 9,677.8 thousand WMT and 7,728.9 thousand WMT, respectively.

**2) CASH OPERATING COST PER VOLUME SOLD**

The cash operating 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 cash operating cost includes production, shipping and loading costs, excise taxes and royalties, marketing and general and administrative expenses incurred by the Group.

The average cash operating cost per volume sold for the first half of 2015 was ₱426.95 per WMT on the basis of aggregate cash costs of ₱4,131.9 million and a total sales volume of 9,677.8 thousand WMT of ore. This compares to ₱410.88 per WMT during the same period in 2014 on the basis of aggregate cash costs of ₱3,175.6 million and a total sales volume of 7,728.9 thousand WMT of ore.

**3) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit or loss for the period, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company in the first half of 2015 was ₱1,490.4 million compared to ₱2,713.9 million in the same period last year.

**4) NUMBER OF HECTARES REHABILITATED/REFORESTED**

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. To manage environmental impacts, the Company's subsidiaries have an Environmental Protection and Enhancement Program (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. A major component under our EPEP is the rehabilitation and reforestation of the areas affected by our mining operations. We also participate in the government's National Greening Program (NGP) where we plant trees and/or donate seedlings outside of our mining properties. In the first half of 2015 and 2014, the Group has rehabilitated a total of 92.34 hectares and 24.65 hectares, respectively, of mine disturbed/mined out areas within their Mineral Production Sharing Agreement (MPSA) areas with corresponding number of trees planted of about 181,584 and 158,433, respectively. Planting outside the MPSA areas were also conducted in compliance with DENR's thrust of massive reforestation project nationwide known as NGP and contributing about 6.48 hectares and 79.76 hectares in the first half of 2015 and 2014, respectively, of areas planted of various endemic tree species and seedling donations to local government units and other NGP participating institution numbering to about 50,603 trees and seedlings and 198,612 trees and seedlings, respectively.

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

Health and safety are integral parts of our personnel policies. Our 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 our operations. We measure our safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the period. In the first half of 2015 and 2014, our frequency rate was 0.085 and 0.33, respectively.

#### **Liquidity and Capital Resources**

As of June 30, 2015 and December 31, 2014, our principal source of liquidity was cash from our operations. We incurred long-term debt to finance the construction of our Rio Tuba and Taganito pier facilities. We receive income from CBNC and THNC under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for the use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt.

As of June 30, 2015 and December 31, 2014, our working capital, defined as the difference between our current assets and current liabilities, was ₱15.8 billion and ₱18.5 billion, respectively. We expect to meet our working capital, capital expenditure and investment requirements from the cash flow coming from our operations and as well as debt that we have incurred to finance the construction of pier facilities at our Rio Tuba and Taganito properties. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

#### **Qualitative and Quantitative Disclosures about Market Risk**

##### *Commodity Price Risk*

The price of nickel is subject to fluctuations due to factors such as government policies, changes in global demand and global production of similar and competitive mineral products. This therefore required us to change the pricing mechanism on our sales of saprolite ore to our 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 amounts payable under the contracts that govern our limonite ore sales to CBNC and THNC are based upon payable nickel delivered with the nickel ore. This payable nickel is priced using an average of LME spot prices over the period at which 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*

Our foreign currency risk results primarily from movements of the peso against the U.S. dollar and results primarily from the transaction exposure associated with transactions in currencies other than Peso. Such exposure arises from cash and cash equivalents, AFS financial assets, long-term debt and sales of beneficiated nickel ore denominated in US\$. Because almost all of our revenues are earned in US\$ while most of our expenses are paid in Peso, appreciation of the peso against the US\$ effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents, AFS financial assets and long-term debt are denominated in US\$, the appreciation of the peso against the US\$ reduces the value of our total assets and liabilities in peso terms in our consolidated financial statements. We are not currently a party to any foreign currency swap agreements and our policy is not to hedge foreign currency exchange risk.

To mitigate the effect of foreign currency risk, the Company 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 that we own. Our exposure to equity price risk relates primarily to our AFS financial assets in various stocks of listed companies.

The Company'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 on our financial position.

#### **Nickel Ore Trade and Currency Exchange Rates**

Nickel ore trade turned into a new phase in 2014 due to the Indonesian export ban and the price collapse in the iron ore market. The former brought about higher pricing in the middle/high grade nickel ore, consistent with the law of supply and demand, while the latter resulted in lower pricing and demand in the low grade nickel ore, which is mainly used for Chinese carbon steel mill as iron ore substitute.

Moreover, we earn substantially all of our revenues in U.S. dollars while most of our expenses are paid in peso. The appreciation of the peso against the U.S. dollar reduces our revenue in peso terms without a corresponding reduction in our expenses and can result in a reduction in our net income.

Aside from the volatility of the nickel price and changes in currency exchange rates, there were no other known trends, events or uncertainties which may have a material impact on our revenue.

#### **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.

#### **Material Commitment for Capital Expenditures**

The Parent Company contracted Bussbarr Corporation for the construction of its 10 MW bunker-fired diesel power station including the civil and electro-mechanical works, construction of the substation, transmission line and SCADA and supply of the engine generator sets. The project will be financed using the Parent Company's short-term cash investments.

#### **Off-balance sheet arrangements**

We have 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**

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way.

There were no other significant elements of income or loss that did not arise from the Company's continuing operations.

**PART II – FINANCIAL SOUNDNESS INDICATORS**

Please refer to the attached schedule.



**NICKEL ASIA CORPORATION AND SUBSIDIARIES  
FINANCIAL SOUNDNESS INDICATORS  
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	2014
<i>A. Liquidity analysis ratios</i>		
Current ratio or working capital ratio	<b>7.90</b>	5.34
Quick ratio	<b>6.32</b>	4.50
Solvency ratio	<b>7.59</b>	5.78
<i>B. Financial leverage ratios</i>		
Debt ratio	<b>0.13</b>	0.17
Debt-to-equity ratio	<b>0.15</b>	0.21
Asset-to-equity ratio	<b>1.15</b>	1.21
Interest coverage ratio	<b>170.51</b>	299.55
<i>C. Profitability ratios</i>		
Net profit margin	<b>0.27</b>	0.43
Return on assets	<b>0.06</b>	0.12
Return on equity	<b>0.07</b>	0.15
Gross profit margin	<b>0.58</b>	0.73
Price/earnings ratio	<b>58.00</b>	30.56

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**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Interim Consolidated Statements of Financial Position as at June 30, 2015 and  
December 31, 2014

Interim Consolidated Statements of Income for the three-month period ended  
June 30, 2015 and 2014

Interim Consolidated Statements of Income for the six-month period ended  
June 30, 2015 and 2014

Interim Consolidated Statements of Comprehensive Income for the six-month period  
ended June 30, 2015 and 2014

Interim Consolidated Statements of Changes in Equity for the six-month period ended  
June 30, 2015 and 2014

Interim Consolidated Statements of Cash Flows for the six-month period ended  
June 30, 2015 and 2014

Notes to Consolidated Financial Statements