



108092018002546



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification Nickel Ore Mining  
Company Type Stock Corporation

### Document Information

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SEC Registration Number

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(Company's Full Name)

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C	i	t	y																								

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

<b>EMMANUEL L. SAMSON</b>
---------------------------

(Contact Person)

<b>892-6669 / 892-4177</b>
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(Company Telephone Number)

1	2	3	1
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*Month Day*  
(Calendar Year)

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(Form Type)

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*Month Day*  
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>82</b>
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Total No. of Stockholders

<b>Total Amount of Borrowings</b>	
<b>₱2,983.8 million</b>	-

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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S.E.C. Number CS200811530

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

**NICKEL ASIA CORPORATION**

(Company's Full Name)

**28<sup>th</sup> Floor NAC Tower, 32nd Street,  
Bonifacio Global City, Taguig City**

(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

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Amendment Delegation (If applicable)

**For the Quarter Ended**

**June 30, 2018**

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: JUNE 30, 2018
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 2 892 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>7,602,928,954 shares</b>
<b>Long-term Debt</b>	<b>Php2,983.8 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 [  ]



August 8, 2018

**Mr. Jose Valeriano B. Zuño III**

OIC - Head, Disclosure Department  
The Philippine Stock Exchange, Inc.  
3/F Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati 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 2018 2nd 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 June 30, 2018.

We trust everything is in order.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Emmanuel L. Samson', is written over a horizontal line.

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



**NICKEL ASIA CORPORATION**  
**17-Q QUARTERLY REPORT**  
**JUNE 30, 2018**

**TABLE OF CONTENTS**

**Page No.**

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**PART I – FINANCIAL INFORMATION**

Item A. Financial Statements ..... **1 – 2**

    Summary Consolidated Statements of Income for the Quarter Ended  
    June 30, 2018 and 2017

    Summary Consolidated Statements of Financial Position as at  
    June 30, 2018 and December 31, 2017

    Summary Consolidated Statements of Cash Flows for the Quarter Ended  
    June 30, 2018 and 2017

Item B. Management's Discussion and Analysis of Financial Condition and  
Results of Operations..... **2 – 9**

**PART II – FINANCIAL SOUNDNESS INDICATORS ..... 10**

**SIGNATURES**

**INDEX TO FINANCIAL STATEMENTS**

## PART I – FINANCIAL INFORMATION

### Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at June 30, 2018 (with Comparative Audited Statement of Financial Position as at December 31, 2017) and for the six-month period ended June 30, 2018 and 2017 are hereto attached.

The following tables set forth the summary financial information for the six-month period ended June 30, 2018 and 2017 and as at June 30, 2018 and December 31, 2017:

#### Summary Consolidated Statements of Income

	<b>For the Quarter Ended June 30</b>		<b>Increase (Decrease)</b>	<b>Percent Inc (Dec)</b>
	<b>2018</b>	<b>2017</b>		
	<i>(In Thousand Pesos)</i>			
Revenues	7,375,577	7,821,482	(445,905)	-6%
Costs	(3,594,882)	(3,319,548)	275,334	8%
Operating expenses	(2,025,036)	(1,663,712)	361,324	22%
Finance income	206,507	151,168	55,339	37%
Finance expenses	(84,184)	(127,004)	(42,820)	-34%
Equity in net income of associates	525,949	55,420	470,529	849%
Other income - net	499,109	213,976	285,133	133%
Provision for income tax - net	(819,258)	(934,249)	(114,991)	-12%
Net income	<u>2,083,782</u>	<u>2,197,533</u>	<u>(113,751)</u>	<u>-5%</u>
Net income attributable to:				
Equity holders of the parent	1,568,679	1,535,149	33,530	2%
Non-controlling interests	<u>515,103</u>	<u>662,384</u>	<u>(147,281)</u>	<u>-22%</u>
	<u>2,083,782</u>	<u>2,197,533</u>	<u>(113,751)</u>	<u>-5%</u>

#### Summary Consolidated Statements of Financial Position

	<b>June 30,</b>	<b>December 31,</b>	<b>Increase (Decrease)</b>	<b>Percent Inc (Dec)</b>
	<b>2018</b>	<b>2017</b>		
	(Unaudited)	(Audited)		
	<i>(In Thousand Pesos)</i>			
Current assets	21,249,505	20,898,438	351,067	2%
Noncurrent assets	<u>25,557,877</u>	<u>24,838,661</u>	<u>719,216</u>	<u>3%</u>
Total assets	<u>46,807,382</u>	<u>45,737,099</u>	<u>1,070,283</u>	<u>2%</u>
Current liabilities	9,974,426	9,614,431	359,995	4%
Noncurrent liabilities	2,879,917	2,904,480	(24,563)	-1%
Equity attributable to				
equity holders of the Parent	30,191,729	29,456,981	734,748	2%
Non-controlling interests	<u>3,761,310</u>	<u>3,761,207</u>	<u>103</u>	<u>0%</u>
Total liabilities and equity	<u>46,807,382</u>	<u>45,737,099</u>	<u>1,070,283</u>	<u>2%</u>

### Summary Consolidated Statements of Cash Flows

	<u>For the Quarter Ended June 30</u>		<u>Increase (Decrease)</u>	<u>Percent Inc (Dec)</u>
	<u>2018</u>	<u>2017</u>		
	<i>(In Thousand Pesos)</i>			
Net cash flows from (used in):				
Operating activities	1,860,365	3,090,500	(1,230,135)	-40%
Investing activities	444,674	(1,295,348)	1,740,022	134%
Financing activities	<u>(1,752,133)</u>	<u>(1,288,193)</u>	<u>463,940</u>	<u>36%</u>
Net increase in cash and cash equivalents	<u>552,906</u>	<u>506,959</u>	<u>45,947</u>	<u>9%</u>
Cash and cash equivalents, beginning	9,645,932	9,647,943	(2,011)	0%
Cash and cash equivalents, end	<u><u>10,198,838</u></u>	<u><u>10,154,902</u></u>	<u><u>43,936</u></u>	<u><u>0%</u></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, 2018 and 2017, 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, 2018 compared with six months ended June 30, 2017**

##### *Revenues*

Our total revenues in the first half of 2018 was ₱7,375.6 million, which was slightly lower by ₱445.9 million or 6%, compared to ₱7,821.5 million in the first half of 2017.

##### *Sale of ore*

The Group's value of shipments dropped by 6% to ₱6,740.2 million from ₱7,158.0 million mainly due to weaker ore export prices caused by increasing ore exports from Indonesia. It will be recalled that Indonesia relaxed its ore export ban in January 2017 thereby putting downward pressure on ore export prices.

The Group sold an aggregate 8,894.8 thousand wet metric tons (WMT) of nickel ore from its four operating mines during the first half of 2018 compared to 8,924.6 thousand WMT achieved the previous year.

The Group's Rio Tuba mine exported 1,439.9 thousand WMT of saprolite ore and delivered 1,758.3 thousand WMT of limonite ore to the Coral Bay processing plant in the first half of 2018. This compares to sales of 1,424.4 thousand WMT of saprolite ore and 1,866.6 thousand WMT of limonite ore, of which 1,695.5 thousand WMT were delivered to the Coral Bay processing plant, during the same period last year.

The Group's Taganito mine shipped 1,399.3 thousand WMT of saprolite ore and sold 2,788.7 thousand WMT of limonite ore, of which 2,242.1 thousand WMT were delivered to the Taganito processing plant in the first half of 2018. This compares to sales of 1,451.3 thousand WMT of saprolite ore and 2,545.8 thousand WMT of limonite ore delivered to the Taganito processing plant for the comparable period last year.

Shipments from the Hinatuan mine amounted to 717.3 thousand WMT in 2018 compared to 934.7 thousand WMT in 2017. On the other hand, the Cagdianao mine shipped 791.3 thousand WMT in 2018 versus 701.8 thousand WMT in 2017.

The estimated realized nickel price on 4,894.4 thousand WMT of ore exports in the first half of this year, which is historically priced on a negotiated dollar per WMT basis, averaged \$18.05 per WMT compared to \$25.88 per WMT on 4,683.3 thousand WMT sold during the same period last year.

On the other hand, prices for our limonite ore deliveries to the Taganito and Coral Bay processing plants, which are linked to London Metal Exchange (LME) prices, have done much better. The Group realized an average of \$6.27 per pound of payable nickel on 4,000.5 thousand WMT sold over the six months ended June 30, 2018. This compares to an average price of \$4.40 per pound of payable nickel on 4,241.3 thousand WMT sold during the same period last year.

Rio Tuba's revenue from sale of limestone went down by 18% to ₱197.4 million from ₱241.7 million due to 27.0 thousand WMT or 10% decline in limestone sales during the first half of 2018 compared to the same period last year.

#### *Services and Others*

Our revenue from services and others slightly dropped by 4% to ₱308.5 million from ₱320.4 million. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that Rio Tuba Nickel Mining Corporation (RTN) and Taganito Mining Corporation (TMC) provides to Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THNC), respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

#### *Sale of Power*

Sale of power climbed by 28% to ₱129.5 million from ₱101.3 million since Jobin SQM, Inc. (Jobin), a subsidiary of the Company, operated at an average operating capacity of 29.33 megawatt (MW) in the first half of 2018 compared to 23.55 MW in the same period last year. The increase in the average operating capacity was due to the completion of the 32.34 MW in March 2017.

#### Costs

Our costs went up by 8% or ₱275.3 million, from ₱3,319.5 million to ₱3,594.9 million.

#### *Cost of Sale of Ore*

Our cost from sale of ore increased by 7% to ₱3,260.2 million compared to ₱3,047.9 million in the same period last year due to additional employees hired during the period coupled with increase in the employee's daily rate and benefits, hike in diesel prices which rose by an average of between ₱9.00/liter to ₱10.00/liter plus higher consumption during the period, and higher operating and maintenance cost of the conveyors.

#### *Cost of Services*

Cost of services grew by 5% to ₱185.7 million from ₱176.8 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. The increase in cost of services was attributable mainly to higher volume delivered by RTN in the first half of 2018, which jumped by 12%; and increase in share in fixed cost, from 3% to 6%; and hike in fuel prices, which rose by an average of between ₱9.00/liter to ₱10.00/liter. Also, additional employees were hired during the period.

#### *Cost of Power Generation*

Cost of power generation increased by 57% to ₱149.1 million from ₱94.8 million in the first half of 2018 because Jobin operated at an average operating capacity of 29.33 MW during the period compared to last year wherein it operated at an average operating capacity of 23.55 MW only. Before that Jobin operated at 7.2 MW capacity.

#### *Operating Expenses*

##### *Shipping and Loading Costs*

Shipping and loading costs grew by 13% as more Landing Craft Transports were chartered much earlier in the year since the Company started to ship-out ore earlier during the first half of the year compared to the same period last year. In addition, higher volumes were handled by contractors, thus the fees went up.

##### *Excise Taxes and Royalties*

Our excise taxes and royalties jumped 28% to ₱644.5 million from ₱501.8 million due to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law which increased the excise tax rate from 2% to 4% effective January 1, 2018.

##### *General and Administrative*

General and administrative expenses rose by 32% from ₱375.2 million to ₱494.0 million in the first half of 2018 which resulted from higher business taxes paid due to higher income base in 2017 than 2016, payment of ₱8.0 million real property tax for the diesel power plant, higher documentary stamp tax on remittances caused by the implementation of the TRAIN law and payment of SEC filing fees for the extension of RTN's corporate life. Personnel cost also rose by 14% since new employees (particularly officers/managers) were hired, and due to annual increase in employee rates and/or benefits.

##### *Finance Income*

Our finance income went up by 37% to ₱206.5 million from ₱151.2 million which arose mainly from the gains we realized from the disposal of one of our offshore investments.

##### *Finance Expenses*

Our finance expenses dropped by 34% to ₱84.2 million from ₱127.0 million as a result of Emerging Power Inc.'s (EPI) 50% partial payment of its bank loans in September 2017.

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

Our equity in net income of THNC and CBNC rose from ₱55.4 million to ₱525.9 million. Profitable operations of our associates were achieved due to better LME prices for nickel ore, lower operating costs and higher cobalt prices. Cobalt is a by-product of the processing plants of THNC and CBNC. The depreciation of peso as against US dollar also contributed to the significant increase in our equity.

##### *Other Income - Net*

Our other income - net went up by 133% to ₱499.1 million from ₱214.0 million mainly due to depreciation of peso against US dollar. In the first half of 2018, the average foreign exchange rate was ₱52.00/US\$1 compared to ₱49.90/US\$1 in 2017. However, the gain from foreign exchange was partially offset by the increase in demurrage by ₱71.6 million caused by the rainy weather condition in the site.

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

Our net provision for income tax was lower by 12% due to lower taxable income base.

### Net Income

As a result of the foregoing, our consolidated net income was ₱2,083.8 million in the first half of 2018 compared to ₱2,197.5 million in the first half of 2017. Net of non-controlling interests, our net income were almost the same at ₱1,568.7 million in the first half of 2018 and ₱1,535.1 million in the first half of 2017.

### Statement of Financial Position

As at June 30, 2018, total assets climbed to ₱46,807.4 million from ₱45,737.1 million as of the end of 2017. Current assets slightly went up to ₱21,249.5 million from ₱20,898.4 million following the net increase in our cash, particularly from operations, by ₱552.9 million; receivables from customers by ₱802.8 million which were also collected in the following month; and prepayments and other current assets by ₱171.6 million. However, the increase was partially offset by the decline in our AFS financial assets due to disposal of one of our offshore investments.

Noncurrent assets improved by 3% from ₱24,838.7 million to ₱25,557.9 million and this was propelled by the 29% growth in our investments in associates due to favorable results of operations of THNC and CBNC plus the effect of our share in cumulative translation adjustment which resulted to a total net favorable impact of ₱850.0 million.

Current liabilities rose by 4% to ₱9,974.4 million from ₱9,614.4 million due to the ₱290.8 million increase in our income tax payable owing to the first half income tax expense.

Noncurrent liabilities slid by only 1% to ₱2,879.9 million from ₱2,904.5 million due to decrease in deferred income tax liabilities by ₱88.3 million. But additional accrual of pension cost and revaluation of foreign currency denominated loans partially offset the said decline.

Our equity net of non-controlling interests slightly improved by 2% to ₱30,191.7 million from continued profitable operations during the first half of the year.

### Statement of Cash Flows

Net cash from operating activities in the first half of 2018 amounted to ₱1,860.4 million compared to ₱3,090.5 million in the same period last year. It went down in 2018 due to lower revenue resulting from weaker ore export prices and higher operating costs and expenses resulting from higher taxes and fuel cost due to the implementation of the TRAIN law and higher maintenance costs.

Cash from or used in investment activities arose from net acquisitions or net disposals of property and equipment and AFS financial assets, additions to project development costs and geothermal exploration and evaluation assets, and receipt of interest. In first half of 2018, acquisitions of AFS financial assets and property and equipment were notably lower by ₱1,839.1 million and ₱371.8 million, respectively, compared to the same period last year leading to a significant decline in cash used for investment purposes.

Cash used in financing activities arose mainly from payments of cash dividends, long-term and short-term debts and interest which amounted to a total of ₱1,750.0 million and ₱1,314.1 million in the first half of 2018 and 2017, respectively.

As at June 30, 2018 and 2017, cash and cash equivalents amounted to ₱10,198.8 million and ₱10,154.9 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 production, shipping and loading costs, excise taxes and royalties, and general and administrative expenses incurred by the Group.

The average cost per volume of ore sold for the first half of 2018 was ₱571.69 per WMT on the basis of aggregate costs of ₱5,085.1 million and a total sales volume of 8,894.8 thousand WMT of ore. This compares to ₱507.55 per WMT during the same period in 2017 on the basis of aggregate costs of ₱4,529.7 million and a total sales volume of 8,924.6 thousand WMT of ore.

### **2) ATTRIBUTABLE NET INCOME**

Attributable net income represents the portion of consolidated profit or loss for the period, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company for the first half of 2018 was ₱1,568.7 million compared to ₱1,535.1 million in the same period last year.

### **3) 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 where we plant trees and/or donate seedlings outside of our mining properties. For the first half of 2018 and 2017, the Group has rehabilitated and reforested a total of 82 hectares and 47 hectares, respectively, with corresponding number of trees planted of about 208,274 and 101,552, respectively.

### **4) 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. Our frequency rate was nil and 0.16 for the first half of 2018 and 2017, respectively.

## **Liquidity and Capital Resources**

As of June 30, 2018 and December 31, 2017, 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. In addition, we also incurred long-term debt to finance the solar project of Jobin and the geothermal exploration and evaluation assets of Mindoro Geothermal Power Corporation (MGPC) and Biliran Geothermal Inc. (BGI). Any revenue that will be earned by Jobin, MGPC and BGI upon start of their commercial operations will be used to pay-off the debt.

As of June 30, 2018 and December 31, 2017, our working capital, defined as the difference between our current assets and current liabilities, was ₱11,275.1 million and ₱11,284.0 million, respectively. We expect to meet our working capital, capital expenditure and investment requirements from the cash flow coming from our operations and pay-off the debts that we have incurred to finance the construction of pier facilities at our Rio Tuba and Taganito properties and EPI's project development costs. 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 driven primarily by 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 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*

Our foreign currency risk results primarily from movements of the peso against the US\$ on transactions in currencies other than Peso. Such exposure arises mainly 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**

Nickel ore in the country is mainly exported to China. We estimated that nickel mines in the Philippines exported 15.8 million WMT to China in the first half of 2018, down by 7.8% on a year-on-year basis. On the other hand, the estimated nickel ore export to China from nickel mines in Indonesia was 8.8 million WMT in the first half of 2018.

LME nickel price increased by 42% on a year-on-year basis in the first half of 2018, while middle grade nickel ore price decreased by 21% on a year-on-year basis. This is mainly due to relaxation of nickel ore export ban in Indonesia in 2017, which resulted in oversupply of nickel ore.

### **Seasonality of Operations**

Mining operations at the majority of the Group's mines are suspended and we 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**

Jobin 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, borrowings from banks and/or ultimate parent company, or thru additional capital infusion.

### **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, 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**

On February 13, 2017, Hinatuan Mining Corporation (HMC) a wholly owned subsidiary of the Parent Company and whose tonnage consists of 14% of the Group's total production in 2017, received a letter from Department of Environment and Natural Resources stating that Mineral Production Sharing Agreement (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.

As June 30, 2018, 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 June 30, 2018 and December 31, 2017, 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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	2017
<i>A. Liquidity analysis ratios</i>		
Current ratio or working capital ratio	<b>2.13</b>	2.46
Quick ratio	<b>1.66</b>	1.99
Solvency ratio	<b>3.64</b>	3.16
<i>B. Financial leverage ratios</i>		
Debt ratio	<b>0.27</b>	0.32
Debt-to-equity ratio	<b>0.38</b>	0.46
Asset-to-equity ratio	<b>1.38</b>	1.46
Interest coverage ratio	<b>42.14</b>	29.38
<i>C. Profitability ratios</i>		
Net profit margin	<b>0.28</b>	0.28
Return on assets	<b>0.04</b>	0.05
Return on equity	<b>0.06</b>	0.07
Gross profit margin	<b>0.51</b>	0.58
Price/earnings ratio	<b>22.10</b>	32.00

## 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

August 8, 2018



Emmanuel L. Samson  
Senior Vice President and Chief Financial Officer

August 8, 2018

**NICKEL ASIA CORPORATION**  
SEC FORM 17-Q  
INDEX TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Interim Consolidated Statements of Financial Position as at June 30, 2018 and  
December 31, 2017

Interim Consolidated Statements of Income for the six-month period ended  
June 30, 2018 and 2017

Interim Consolidated Statements of Comprehensive Income for the six-month period ended  
June 30, 2018 and 2017

Interim Consolidated Statements of Changes in Equity for the six-month period ended  
June 30, 2018 and 2017

Interim Consolidated Statements of Cash Flows for the six-month period ended  
June 30, 2018 and 2017

Notes to Consolidated Financial Statements

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# NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Audited Figures as at December 31, 2017)

(Amounts in Thousands)

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱10,198,838	₱9,645,932
Trade and other receivables (Notes 5 and 29)	1,669,848	905,125
Inventories (Note 6)	3,595,215	3,502,414
Available-for-sale (AFS) financial assets (Note 7)	4,694,673	5,925,682
Prepayments and other current assets	1,090,931	919,285
<b>Total Current Assets</b>	<b>21,249,505</b>	<b>20,898,438</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	15,449,610	15,388,259
Investments in associates (Note 9)	3,802,146	2,952,132
Geothermal exploration and evaluation assets (Note 10)	1,789,098	1,784,183
AFS financial assets - net of current portion (Note 7)	725,607	732,738
Deferred income tax assets - net	169,503	333,094
Long-term stockpile inventory - net of current portion (Note 11)	-	167,559
Other noncurrent assets	3,621,913	3,480,696
<b>Total Noncurrent Assets</b>	<b>25,557,877</b>	<b>24,838,661</b>
<b>TOTAL ASSETS</b>	<b>₱46,807,382</b>	<b>₱45,737,099</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 12 and 29)	₱7,667,856	₱7,569,941
Income tax payable	526,048	235,233
Other current liability	169,079	169,079
Current portion of:		
Long-term debts (Note 13)	1,606,443	1,635,178
Long-term payable	5,000	5,000
<b>Total Current Liabilities</b>	<b>9,974,426</b>	<b>9,614,431</b>
<b>Noncurrent Liabilities</b>		
Long-term debts - net of current portion (Note 13)	1,377,311	1,349,211
Deferred income tax liabilities - net	678,542	766,874
Provision for mine rehabilitation and decommissioning (Note 14)	393,325	388,787
Pension liability	353,430	320,781
Deferred income - net of current portion	56,564	58,659
Long-term payable - net of current portion	20,745	20,168
<b>Total Noncurrent Liabilities</b>	<b>2,879,917</b>	<b>2,904,480</b>
<b>Total Liabilities</b>	<b>12,854,343</b>	<b>12,518,911</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 15)	3,808,665	3,808,665
Additional paid-in capital	8,262,455	8,262,455
Other components of equity:		
Share in cumulative translation adjustment (Note 9)	855,810	564,152
Cost of share-based payment plan (Note 16)	139,531	137,635
Net valuation gains (losses) on AFS financial assets	(51,199)	163,935
Asset revaluation surplus	31,906	32,097
Retained earnings		
Unappropriated	16,048,978	15,392,459
Appropriated (Note 15)	1,095,583	1,095,583
	<b>30,191,729</b>	<b>29,456,981</b>
<b>Non-controlling Interests (NCI)</b>	<b>3,761,310</b>	<b>3,761,207</b>
<b>Total Equity</b>	<b>33,953,039</b>	<b>33,218,188</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱46,807,382</b>	<b>₱45,737,099</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2018 AND 2017**  
**(Amounts in Thousands, Except Earnings per Share)**

	2018	2017
	(Unaudited)	
<b>REVENUES</b> (Note 29)		
Sale of ore	₱4,983,015	₱5,092,161
Services and others	158,996	171,834
Sale of power	69,625	64,639
	<b>5,211,636</b>	<b>5,328,634</b>
<b>COSTS</b>		
Sale of ore (Note 18)	2,197,956	2,064,920
Services (Note 19)	94,689	91,270
Power generation (Note 20)	86,659	75,837
	<b>2,379,304</b>	<b>2,232,027</b>
<b>OPERATING EXPENSES</b>		
Shipping and loading costs (Note 21)	610,000	558,879
Excise taxes and royalties (Note 22)	502,973	396,176
General and administrative (Note 23)	263,725	199,538
Marketing	38,026	36,937
	<b>1,414,724</b>	<b>1,191,530</b>
<b>FINANCE INCOME</b> (Note 26)	74,761	91,595
<b>FINANCE EXPENSES</b> (Note 27)	(42,206)	(62,527)
<b>EQUITY IN NET INCOME OF ASSOCIATES</b> (Note 9)	331,263	65,669
<b>OTHER INCOME - Net</b> (Note 28)	126,832	128,919
<b>INCOME BEFORE INCOME TAX</b>	<b>1,908,258</b>	<b>2,128,733</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 30)		
Current	526,905	604,779
Deferred	25,073	(18,605)
	<b>551,978</b>	<b>586,174</b>
<b>NET INCOME</b>	<b>₱1,356,280</b>	<b>₱1,542,559</b>
Net income attributable to:		
Equity holders of the parent	₱992,682	₱1,157,640
NCI	363,598	384,919
	<b>₱1,356,280</b>	<b>₱1,542,559</b>
<b>Basic/Diluted Earnings Per Share (EPS)</b>	<b>₱0.13</b>	<b>₱0.15</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**  
**(Amounts in Thousands, Except Earnings per Share)**

	2018	2017
	(Unaudited)	
<b>REVENUES</b> (Note 29)		
Sale of ore	P6,937,638	P7,399,724
Services and others	308,452	320,411
Sale of power	129,487	101,347
	<b>7,375,577</b>	<b>7,821,482</b>
<b>COSTS</b>		
Sale of ore (Note 18)	3,260,154	3,047,939
Services (Note 19)	185,665	176,830
Power generation (Note 20)	149,063	94,779
	<b>3,594,882</b>	<b>3,319,548</b>
<b>OPERATING EXPENSES</b>		
Shipping and loading costs (Note 21)	848,593	749,801
Excise taxes and royalties (Note 22)	644,452	501,814
General and administrative (Note 23)	493,965	375,160
Marketing	38,026	36,937
	<b>2,025,036</b>	<b>1,663,712</b>
<b>FINANCE INCOME</b> (Note 26)	<b>206,507</b>	<b>151,168</b>
<b>FINANCE EXPENSES</b> (Note 27)	<b>(84,184)</b>	<b>(127,004)</b>
<b>EQUITY IN NET INCOME OF ASSOCIATES</b> (Note 9)	<b>525,949</b>	<b>55,420</b>
<b>OTHER INCOME - Net</b> (Note 28)	<b>499,109</b>	<b>213,976</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,903,040</b>	<b>3,131,782</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 30)		
Current	752,013	994,273
Deferred	67,245	(60,024)
	<b>819,258</b>	<b>934,249</b>
<b>NET INCOME</b>	<b>P2,083,782</b>	<b>P2,197,533</b>
Net income attributable to:		
Equity holders of the parent	P1,568,679	P1,535,149
NCI	515,103	662,384
	<b>P2,083,782</b>	<b>P2,197,533</b>
<b>Basic/Diluted EPS</b> (Note 17)	<b>P0.21</b>	<b>P0.20</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017****(Amounts in Thousands)**

	2018	2017
	(Unaudited)	
<b>NET INCOME</b>	<b>₱2,083,782</b>	<b>₱2,197,533</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	291,658	199,357
Net valuation gains (losses) on AFS financial assets	<b>(215,134)</b>	37,708
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	76,524	237,065
<i>Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:</i>		
Asset revaluation surplus	<b>(191)</b>	(191)
<b>TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX</b>	<b>76,333</b>	236,874
<b>TOTAL COMPREHENSIVE INCOME - NET OF TAX</b>	<b>₱2,160,115</b>	<b>₱2,434,407</b>
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱1,645,012</b>	₱1,772,023
NCI	<b>515,103</b>	662,384
	<b>₱2,160,115</b>	<b>₱2,434,407</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent										Total	NCI	Total
	Capital Stock (Note 15)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 16)	Net Valuation Gains (Losses) on AFS Financial Assets	Share in Cumulative Translation Adjustment (Note 9)	Asset Revaluation Surplus	Retained Earnings		Total	Total			
							Unappropriated	Appropriated (Note 15)					
<b>Balances at December 31, 2017</b>	<b>₱3,808,665</b>	<b>₱8,262,455</b>	<b>₱137,635</b>	<b>₱163,935</b>	<b>₱564,152</b>	<b>₱32,097</b>	<b>₱15,392,459</b>	<b>₱1,095,583</b>	<b>₱29,456,981</b>	<b>₱3,761,207</b>	<b>₱33,218,188</b>		
Net income	-	-	-	-	-	-	1,568,679	-	1,568,679	515,103	2,083,782		
Other comprehensive income (loss)	-	-	-	(215,134)	291,658	(191)	-	-	76,333	-	76,333		
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(215,134)</b>	<b>291,658</b>	<b>(191)</b>	<b>1,568,679</b>	<b>-</b>	<b>1,645,012</b>	<b>515,103</b>	<b>2,160,115</b>		
Cost of share-based payment plan (Note 16)	-	-	1,896	-	-	-	-	-	1,896	-	1,896		
Cash dividends - ₱0.12 per common share (Note 15)	-	-	-	-	-	-	(912,351)	-	(912,351)	-	(912,351)		
Cash dividends to NCI	-	-	-	-	-	-	-	-	-	(515,000)	(515,000)		
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	191	-	191	-	191		
<b>Balances at June 30, 2018 (Unaudited)</b>	<b>₱3,808,665</b>	<b>₱8,262,455</b>	<b>₱139,531</b>	<b>(₱51,199)</b>	<b>₱855,810</b>	<b>₱31,906</b>	<b>₱16,048,978</b>	<b>₱1,095,583</b>	<b>₱30,191,729</b>	<b>₱3,761,310</b>	<b>₱33,953,039</b>		

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
June 30, 2018

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 15)	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Retained Earnings		Total	NCI	Total
							Unappropriated	Appropriated (Note 15)			
Balances at December 31, 2016	₱3,808,665	₱8,300,002	₱126,622	₱12,954	₱409,286	₱32,480	₱13,221,526	₱1,108,956	₱27,020,491	₱4,179,162	₱31,199,653
Net income	-	-	-	-	-	-	1,535,149	-	1,535,149	662,384	2,197,533
Other comprehensive income (loss)	-	-	-	37,708	199,357	(191)	-	-	236,874	-	236,874
<b>Total comprehensive income (loss)</b>	-	-	-	37,708	199,357	(191)	1,535,149	-	1,772,023	662,384	2,434,407
Cost of share-based payment plan	-	-	6,967	-	-	-	-	-	6,967	-	6,967
Cash dividends - ₱0.08 per common share (Note 15)	-	-	-	-	-	-	(608,234)	-	(608,234)	-	(608,234)
Cash dividends to NCI	-	-	-	-	-	-	-	-	-	(830,000)	(830,000)
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	191	-	191	-	191
<b>Balances at June 30, 2017 (Unaudited)</b>	<b>₱3,808,665</b>	<b>₱8,300,002</b>	<b>₱133,589</b>	<b>₱50,662</b>	<b>₱608,643</b>	<b>₱32,289</b>	<b>₱14,148,632</b>	<b>₱1,108,956</b>	<b>₱28,191,438</b>	<b>₱4,011,546</b>	<b>₱32,202,984</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**  
**(Amounts in Thousands)**

	2018	2017
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱2,903,040</b>	₱3,131,782
Adjustments for:		
Depreciation, amortization and depletion (Notes 8 and 25)	<b>657,880</b>	753,974
Equity in net losses (income) of associates (Note 9)	<b>(525,949)</b>	(55,420)
Interest income (Note 26)	<b>(160,299)</b>	(143,354)
Interest expense (Notes 13, 19 and 27)	<b>70,566</b>	110,349
Loss (gain) on sale of:		
AFS financial assets (Note 26)	<b>(46,208)</b>	(7,814)
Property and equipment (Note 28)	<b>(270)</b>	5,620
Reversal of allowance for impairment losses on property and equipment (Note 28)	-	(12,825)
Movements in pension liability	<b>29,668</b>	17,322
Dividend income (Note 28)	<b>(27,430)</b>	(26,671)
Unrealized foreign exchange gains - net	<b>(11,021)</b>	(19,073)
Accretion of interest on provision for mine rehabilitation and decommissioning (Notes 14 and 27)	<b>4,538</b>	4,779
Cost of share-based payment plan (Notes 16 and 24)	<b>1,896</b>	6,967
Operating income before working capital changes	<b>2,896,411</b>	3,765,636
Decrease (increase) in:		
Trade and other receivables	<b>(765,895)</b>	(332,447)
Inventories	<b>74,758</b>	96,776
Prepayments and other current assets	<b>(171,108)</b>	(79,588)
Increase in trade and other payables	<b>287,397</b>	520,251
Net cash generated from operations	<b>2,321,563</b>	3,970,628
Income taxes paid	<b>(461,198)</b>	(880,128)
Net cash flows from operating activities	<b>1,860,365</b>	3,090,500
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of:		
AFS financial assets	<b>2,243,135</b>	2,716,887
Property and equipment	<b>1,098</b>	12,605
Acquisitions of:		
AFS financial assets (Note 7)	<b>(1,122,975)</b>	(2,962,101)
Property and equipment (Note 8)	<b>(720,669)</b>	(1,092,496)
Interest received	<b>162,980</b>	140,003
Increase in:		
Other noncurrent assets	<b>(141,217)</b>	(93,152)
Geothermal exploration and evaluation assets	<b>(4,915)</b>	(43,800)
Dividends received	<b>27,237</b>	26,706
Net cash flows from (used in) investing activities	<b>444,674</b>	(1,295,348)

(Forward)

NICKEL ASIA CORPORATION  
17-Q Quarterly Report  
June 30, 2018

	2018	2017
	(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Cash dividends	(P1,622,351)	(P970,734)
Long-term debts	(71,050)	(57,413)
Short-term debt	-	(180,000)
Interest paid	(56,637)	(105,951)
Increase (decrease) in:		
Deferred income	(2,095)	(2,095)
Other current liability	-	28,000
Net cash flows used in financing activities	(1,752,133)	(1,288,193)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>552,906</b>	<b>506,959</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>9,645,932</b>	<b>9,647,943</b>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30 (Note 4)</b>	<b>P10,198,838</b>	<b>P10,154,902</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**NICKEL ASIA CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)****1. Corporate Information**

Nickel Asia Corporation (NAC; 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, 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 Island.

*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.

*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 a resolution dated May 6, 2014, the Board of Directors (BOD) of LCSLC authorized the sale of all of its LCT to HMC for a consideration.

*Dinapigue Mining Corporation (DMC)*

DMC, formerly Geogen Corporation (Geogen), 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. Currently, DMC is under development stage.

On January 16, 2018, the BOD of Geogen approved to change its corporate name to Dinapigue Mining Corporation. The application for the change in the corporate name was approved by the SEC on March 5, 2018.

*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 June 30, 2018, 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. It 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. It 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 and providing non-mining services 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.

*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.

*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.

*Jobin-SQM, Inc. (Jobin)*

Jobin was registered with the SEC on January 6, 2010, 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. Jobin was acquired by EPI on September 11, 2015. On May 23, 2016, Jobin entered into the testing and commissioning phase for the 7.14 megawatt (MW) Sta. Rita Solar Power Project. On November 7, 2016, Jobin 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 7.14 MW Sta. Rita Solar Power Project pending approval of Jobin's dedicated point to point limited facilities to connect to the transmission system. On March 18, 2017, Jobin commenced testing and commissioning phase for the 25.19 MW 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.

*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 Department of Energy. BGI was acquired by BHI on December 17, 2015.

*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.

The interim consolidated financial statements as at June 30, 2018 and December 31, 2017 and for the six-month period ended June 30, 2018 and 2017, were authorized for issuance by the Parent Company's BOD on August 7, 2018.

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

### Basis of Preparation

The accompanying interim consolidated financial statements of the Group as at June 30, 2018 and for the six-month period ended June 30, 2018 and 2017 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, 2017.

### Basis of Consolidation

The interim consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred to as the Group) and its associates:

	Principal Place of Business	Principal Activities	Effective Ownership	
			June 30, 2018	June 30, 2017
<i>Subsidiaries</i>				
HMC	Philippines	Mining and Services	<b>100.00%</b>	100.00%
CMC	Philippines	Mining	<b>100.00%</b>	100.00%
SNMRC	Philippines	Mining	<b>100.00%</b>	100.00%
LCSLC <sup>(a)</sup>	Philippines	Services	<b>100.00%</b>	100.00%
DMC	Philippines	Mining	<b>100.00%</b>	100.00%
FEI <sup>(b)</sup>	Philippines	Mining	<b>88.00%</b>	88.00%
CExCI	Philippines	Mining	<b>71.25%</b>	71.25%
Newminco <sup>(c)</sup>	Philippines	Mining	<b>71.25%</b>	71.25%
TMC	Philippines	Mining and Services	<b>65.00%</b>	65.00%
RTN	Philippines	Mining and Services	<b>60.00%</b>	60.00%
EPI	Philippines	Renewable Energy Developer	<b>86.29%</b>	70.92%
MGPC <sup>(d)</sup>	Philippines	Renewable Energy Developer	<b>86.29%</b>	70.92%
MEI <sup>(d)</sup>	Philippines	Power Generation, Trading and Services	<b>86.29%</b>	70.92%
BHI <sup>(d)</sup>	Philippines	Services	<b>86.29%</b>	70.92%
Jobin <sup>(d)</sup>	Philippines	Power Generation	<b>86.29%</b>	70.92%
BGI <sup>(d)</sup>	Philippines	Power Generation	<b>51.77%</b>	42.55%
Mantex <sup>(d)</sup>	Philippines	Management and Advisory Services	<b>43.15%</b>	35.46%

	Principal Place of Business	Principal Activities	Effective Ownership	
			June 30, 2018	June 30, 2017
<i>Associates</i>				
THNC	Philippines	Manufacturing	10.00%	10.00%
CBNC	Philippines	Manufacturing	10.00%	10.00%

(a) Indirect ownership through HMC

(b) Indirect ownership through HMC, CMC and TMC

(c) Indirect ownership through CExCI

(d) Indirect ownership through EPI

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.

The Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company 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 Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date the Parent Company 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 (PFRS).

#### 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, 2017, except for the adoption of the following amendments and improvements to existing standards and interpretations, which were effective beginning January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*
- PFRS 15, *Revenue from Contracts with Customers*
- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

The adoption of PFRS 9, *Financial Instruments* will have an effect on the classification and measurement of financial assets and liabilities.

The Group will quantify the effect of changes or amendments in standards in conjunction with the other phases when issued, to present a comprehensive picture. As at June 30, 2018, the Group continues to assess the impact of adopting PFRS 9 and PFRS 15 on its consolidated financial statements. Additional disclosures required by the amendments will be included in the consolidated financial statements when these amendments are adopted.

#### 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, 2019:*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

#### *Deferred effectivity:*

- Amendments to PFRS 10 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 2018. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

### 3. Seasonality of Operations

Mining operations at the majority of the Group's mines are suspended and are often unable to load ore into shipping vessels during the rainy season. This seasonality results in quarter-to-quarter volatility in the Group's operating results with more revenue being earned and more expenses being incurred in the second and third fiscal quarters than in the first and fourth fiscal quarters.

### 4. Cash and Cash Equivalents

	<b>June 30, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	(Audited)
Cash on hand and with banks	<b>₱1,434,768</b>	₱955,114
Cash under managed funds	<b>146,920</b>	177,014
Short-term cash investments	<b>8,617,150</b>	8,513,804
	<b>₱10,198,838</b>	₱9,645,932

## 5. Trade and Other Receivables

Trade and other receivables amounting to ₱46.3 million and ₱45.9 million as at June 30, 2018 and December 31, 2017 were impaired and fully provided for with allowance for impairment losses.

The aging analysis of the Group's trade and other receivables as at June 30, 2018 and December 31, 2017 are summarized below:

<b>June 30, 2018 (Unaudited)</b>	<b>Neither Past Due Nor Impaired (High)</b>	<b>Past Due But Not Impaired (30-180 days)</b>	<b>Past Due and Individually Impaired</b>	<b>Total</b>
<b>Trade and other receivables:</b>				
Trade (see Note 29)	₱1,397,240	₱24,892	₱41,542	₱1,463,674
<b>Current portion of loan   receivable</b>	<b>64,563</b>	-	-	<b>64,563</b>
<b>Interest receivable</b>	<b>50,939</b>	-	-	<b>50,939</b>
<b>Advances to officers and   employees</b>	<b>36,401</b>	<b>14,215</b>	<b>123</b>	<b>50,739</b>
<b>Receivable from CBNC   (see Note 29)</b>	<b>12,212</b>	<b>23,946</b>	-	<b>36,158</b>
<b>Amounts owed by related   parties (see Note 29)</b>	<b>8,454</b>	-	-	<b>8,454</b>
<b>Others</b>	<b>19,740</b>	<b>17,246</b>	<b>4,597</b>	<b>41,583</b>
<b>Total</b>	<b>₱1,589,549</b>	<b>₱80,299</b>	<b>₱46,262</b>	<b>₱1,716,110</b>

<b>December 31, 2017 (Audited)</b>	<b>Neither Past Due Nor Impaired (High)</b>	<b>Past Due But Not Impaired (30-180 days)</b>	<b>Past Due and Individually Impaired</b>	<b>Total</b>
<b>Trade and other receivables:</b>				
Trade (see Note 29)	₱602,348	₱17,383	₱41,152	₱660,883
<b>Current portion of loan receivable</b>	<b>94,203</b>	-	-	<b>94,203</b>
<b>Interest receivable</b>	<b>53,619</b>	-	-	<b>53,619</b>
<b>Advances to officers and   employees</b>	<b>34,562</b>	<b>14,160</b>	<b>123</b>	<b>48,845</b>
<b>Receivable from CBNC   (see Note 29)</b>	<b>18,830</b>	<b>21,849</b>	-	<b>40,679</b>
<b>Amounts owed by related parties   (see Note 29)</b>	<b>7,351</b>	-	-	<b>7,351</b>
<b>Others</b>	<b>40,820</b>	-	<b>4,597</b>	<b>45,417</b>
<b>Total</b>	<b>₱851,733</b>	<b>₱53,392</b>	<b>₱45,872</b>	<b>₱950,997</b>

## 6. Inventories

As at June 30, 2018 and December 31, 2017, inventories amounting to ₱85.6 million were assessed to be impaired and were provided for with allowance for impairment losses. There was no provision for impairment losses on inventories for the six months ended June 30, 2018 and 2017. Reversal of allowance for impairment losses on inventories amounted to nil and ₱2.0 million for the six months ended June 30, 2018 and 2017, respectively.

The cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱3,160.5 million and ₱3,147.1 million as at June 30, 2018 and December 31, 2017, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱520.3 million and ₱441.0 million as at June 30, 2018 and December 31, 2017, respectively.

## 7. AFS Financial Assets

The movements in AFS financial assets as at June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at January 1	₱6,658,420	₱6,319,078
Additions	1,123,282	5,234,667
Disposals	(2,198,242)	(4,957,281)
Reclassification	(3,608)	–
Effect of changes in foreign exchange rate	79,955	1,033
Valuation gains (losses) on AFS financial assets	(239,527)	194,243
	5,420,280	6,791,740
Less provision for impairment losses	–	133,320
Balances at end of period	<b>₱5,420,280</b>	<b>₱6,658,420</b>

AFS 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.

During the six-month period ended June 30, 2018 and 2017, the Group acquired various AFS financial assets amounting to ₱1,123.3 million and ₱2,991.4 million, respectively, and disposed AFS financial assets amounting to ₱2,198.2 million and ₱2,726.8 million, respectively.

Dividend income earned from AFS financial assets amounted to ₱27.4 million and ₱26.7 million for the six months ended June 30, 2018 and 2017, respectively (see Note 28).

Interest income earned from AFS financial assets amounted to ₱75.8 million and ₱66.1 million for the six months ended June 30, 2018 and 2017, respectively (see Note 26).

## 8. Property and Equipment

During the six-month period ended June 30, 2018 and 2017, the Group acquired assets with a cost of ₱720.7 million and ₱1,092.5 million, respectively, including construction in-progress.

Pier facilities (included under “Buildings and Improvements”) with a carrying value of nil as at June 30, 2018 and December 31, 2017 were mortgaged as collateral for the long-term debt of RTN (see Note 13).

Depreciation, amortization and depletion expense for the six-month period ended June 30, 2018 and 2017 amounted to ₱657.9 million and ₱754.0 million, respectively (see Note 25).

## 9. Investments in Associates

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
THNC	₱2,497,903	₱2,083,079
CBNC	1,304,243	869,053
	<b>₱3,802,146</b>	<b>₱2,952,132</b>

The movements in investments in associates follow:

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	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	(371,303)	(53,639)	(424,942)	(467,168)	(155,746)	(622,914)
Equity in net income	281,356	244,593	525,949	95,865	102,107	197,972
	(89,947)	190,954	101,007	(371,303)	(53,639)	(424,942)
Share in cumulative translation adjustment:						
Balances at January 1	479,682	198,282	677,964	317,564	188,327	505,891
Movements	133,468	190,597	324,065	162,118	9,955	172,073
	613,150	388,879	1,002,029	479,682	198,282	677,964
Balances at end of period	₱2,497,903	₱1,304,243	₱3,802,146	₱2,083,079	₱869,053	₱2,952,132

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱88.5 million and ₱113.8 million as at June 30, 2018 and December 31, 2017, 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 (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.

**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 ₱22,598.0 million and ₱31,309.5 million, respectively, as at June 30, 2018, and ₱18,449.8 million and ₱26,957.6 million, respectively, as at December 31, 2017. The results of THNC's and CBNC's operations were net income of ₱2,813.6 million and ₱2,445.9 million, respectively, for the six months ended June 30, 2018 and net income of ₱695.3 million and net loss of ₱141.1 million, respectively, for the six months ended June 30, 2017. The Parent Company's share in cumulative translation adjustment amounted to ₱855.8 million and ₱564.2 million as at June 30, 2018 and December 31, 2017, respectively, and its equity in net income of associates amounted to ₱525.9 million and ₱55.4 million for the six months ended June 30, 2018 and 2017, 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 June 30, 2018 and December 31, 2017, 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 ₱195.4 million and ₱212.0 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 June 30, 2018 and December 31, 2017, respectively, and the cost of long-term stockpile inventory delivered to CBNC for the six months ended June 30, 2018 and 2017 of ₱184.2 million and ₱94.5 million, respectively, were charged to "Cost of sale of ore" (see Note 18).

The carrying value of long-term stockpile inventory - net of current portion amounted to nil and ₱167.6 million as at June 30, 2018 and December 31, 2017, respectively.

## 12. Trade and Other Payables

Trade and other payables include amounts payable to regular suppliers, accrued expenses, government payables and other payables. Trade, accrued expenses and other payables, excluding amounts due to Orka Geothermal Investments Pte. Ltd (OGI) and Biliran Geothermal Holdings Inc. (BGHI), which has no fixed repayment date (see Note 29), are noninterest-bearing and are generally settled on demand. Government payables include withholding taxes which are normally settled within fifteen (15) days after the end of each financial reporting month and fringe benefit tax which are normally settled within fifteen (15) 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 and limestone were shipped. 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 debt with Manta Equities Inc. (Manta)*

On June 8, 2015, EPI entered into a one (1) year loan agreement with Manta amounting to ₱180.0 million to finance the development expenses of EPI's geothermal power project. The loan bears an annual interest of 5%. The principal and interest is payable at the end of the loan agreement. On June 6, 2016, EPI and Manta extended the loan for another year or up to June 7, 2017 under the same terms of the original loan. The principal and interest were paid in June 2017.

Interest expense incurred in connection with the loans amounted to nil and ₱4.3 million for the six months ended June 30, 2018 and 2017, respectively (see Note 27).

*Long-term debts*

Long-term debts of the following subsidiaries are as follows:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
EPI	<b>₱1,499,462</b>	₱1,498,159
TMC	<b>1,213,485</b>	1,179,596
Jobin	<b>270,807</b>	284,265
RTN	–	22,369
	<b>2,983,754</b>	2,984,389
Less noncurrent portion:		
TMC	<b>1,120,140</b>	1,092,219
Jobin	<b>257,171</b>	256,992
	<b>1,377,311</b>	1,349,211
Current portion	<b>₱1,606,443</b>	₱1,635,178

EPI Loan

On July 15, 2015, Security Bank Corporation (SBC) approved the loan facility of EPI amounting to ₱3,000.0 million which will be used by EPI in funding its investments and working capital requirements. Staggered releases of loans are allowed up to August 31, 2016 with terms of up to three (3) years from date of every drawdown and payable upon maturity. In the event of default, the loans, together with accrued interest and any other sums payable under the promissory notes will immediately become due and payable.

The loans are secured by a continuing suretyship of the Parent Company. Under the Suretyship Agreement executed by and between the Parent Company and SBC on August 4, 2015, the Parent Company solidarily with EPI, guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC.

On September 29, 2017, EPI prepaid certain promissory notes totaling ₱1,500.0 million. There were no prepayments penalty charged by SBC and the terms of the unpaid promissory notes remain the same.

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

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
Loans payable	<b>₱1,500,000</b>	₱1,500,000
Less unamortized debt issue cost	<b>(538)</b>	(1,841)
Balances at end of period	<b>₱1,499,462</b>	₱1,498,159

Interest expense for the six months ended June 30, 2018 and 2017 amounted to ₱36.0 million and ₱73.8 million, respectively (see Note 27).

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 June 30, 2018 and December 31, 2017, EPI has been compliant with the covenants contained in the loan facility and agreements.

#### 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 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 shall be drawn down in one or multiple times by July 31, 2011. As at June 30, 2018 and December 31, 2017, the total loan was fully drawn by TMC.

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 June 30, 2018 and December 31, 2017, TMC is in compliance with the restrictions.

Interest expense for the six months ended June 30, 2018 and 2017 which amounted to ₱23.9 million and ₱20.9 million, respectively, were included in equipment operating cost under "Cost of services" (see Notes 19 and 29).

As at June 30, 2018 and December 31, 2017, the carrying amount of long-term debt with THNC amounted to ₱1,213.5 million and ₱1,179.6 million, respectively (see Note 29).

Jobin Loan

On April 26, 2016, Jobin entered into a twelve-year (12) term loan agreement with Land Bank of the Philippines (LBP) amounting to ₱300.0 million to partially finance the construction and development of a 7.14 MW Sta. Rita Solar Power Plant and inter-connection assets located in Subic Bay Freeport Zone (SBFZ). The loan is subject to an interest based on the applicable benchmark rate (3-month PDST-R2) plus a minimum spread of 1.50% per annum (p.a.), with a floor rate of 4.75% p.a., subject to quarterly repricing. The loan is payable in forty-four (44) equal quarterly payments, starting at the end of the fifth (5th) quarter from the date of the initial loan and interest is payable quarterly in arrears from the date of initial loan. Jobin is also required to pay gross receipt tax equal to 1% of each interest payment.

The loan shall be secured by the following:

- a) Chattel mortgage on the 7.14 MW Sta. Rita Solar Power Plant
- b) Corporate guarantee of EPI
- c) Assignment of leasehold rights between Jobin and Subic Bay Metropolitan Authority on the lot at Mt. Sta. Rita, SBFZ, and 2,300 square meter (sq.m.) lot and 280 sq.m. building located near the National Grid Corporation of the Philippines facility, Subic Gateway Park, SBFZ
- d) Pledge of shares of stock of Jobin

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 June 30, 2018 and December 31, 2017, Jobin has been compliant with the covenants contained in the loan agreement.

The carrying amount of long-term debt with LBP, net of unamortized debt issue cost, follows:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
Loans payable	<b>₱272,727</b>	₱286,364
Less unamortized debt issue cost	<b>(1,920)</b>	(2,099)
<b>Balances at end of period</b>	<b>₱270,807</b>	₱284,265

Interest expense for the six months ended June 30, 2018 and 2017 amounted to ₱6.9 million and ₱7.4 million, respectively (see Note 27).

RTN Loan

On November 25, 2002, RTN entered into an Omnibus Agreement with Sumitomo Metal Mining Co., Ltd. (SMM), wherein the latter granted the former a loan facility amounting to US\$1.8 million at prevailing 180-day LIBOR plus 2% spread, for the construction of the pier facilities.

In July 2003, an additional loan amounting to US\$0.2 million was granted by SMM. Starting 2003, the interest on the original and additional loans is payable semi-annually on February 28 and August 31. The total principal is payable in 20 equal semi-annual installments starting February 28, 2004 up to August 31, 2013. In February 2007, RTN and

SMM agreed to an additional loan facility amounting to US\$9.0 million. Of the total loan facility, the remaining US\$0.5 million was drawn during February and March 2008. The additional loan facility is payable in semi-annual installments starting August 31, 2008 up to February 28, 2018.

In consideration, and to ensure payment of these loans, RTN assigned, transferred, and set over to SMM, absolutely and unconditionally, all of RTN's rights, title, and interest over its future receivable from CBNC under the Throughput Agreement. RTN also constituted a first ranking mortgage on the pier facilities (see Note 8).

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN'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 RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any governmental authority affecting RTN. As at June 30, 2018 and December 31, 2017, RTN is in compliance with the restrictions.

Interest expense for the six months ended June 30, 2018 and 2017 amounted to ₱0.1 million and ₱0.9 million, respectively (see Notes 27 and 29).

As at June 30, 2018 and December 31, 2017, the carrying amount of long-term debt with SMM amounted to nil and ₱22.4 million, respectively (see Note 29).

#### **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 six months ended June 30, 2018 and 2017, accretion interest on provision for mine rehabilitation and decommissioning amounted to ₱4.5 million and ₱4.8 million respectively (see Note 27).

## 15. Equity

### Capital Stock

The capital structure of the Parent Company follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares		
Issued - 7,602,928,954 shares	₱3,801,465	₱3,801,465
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	7,200	7,200
<b>Total</b>	<b>₱3,808,665</b>	<b>₱3,808,665</b>

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 ₱2.67 per share after the stock dividends.

As at June 30, 2018 and December 31, 2017, 32% of the outstanding common shares of the Parent Company or a total of 2,421,737,006 common shares and 2,414,938,006 common shares, respectively, are registered in the name of eighty (80) and eighty-six (86) shareholders, respectively, while the balance of 68% or a total of 5,181,191,948 common shares and 5,187,990,948 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

### Dividends

Dividends declared and/or paid by the Parent Company follows:

Year	Type of Dividend	Date of Declaration	Date of Record	Amount Declared	Dividend per Share	Date of Payment
2018	Cash Dividends	March 14, 2018	March 28, 2018	₱912,351	₱0.12	April 10, 2018
2017	Cash Dividends	March 15, 2017	March 29, 2017	₱608,234	₱0.08	April 11, 2017

### Appropriated Retained Earnings

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. The project was completed in June 2018.

On November 7, 2016, the BOD of HMC approved the appropriation of retained earnings amounting to ₱41.5 million for the final mine rehabilitation and decommissioning plan and ₱67.5 million for the capital expenditures for the year 2017.

On December 7, 2017, the BOD of HMC approved the reversal of the ₱109.0 million appropriations following the completion of the purchase of mining equipment and funding of the final mine rehabilitation fund. On the same date, the BOD of HMC approved the appropriation of retained earnings amounting to ₱95.6 million for HMC's capital expenditures for the year 2018.

## **16. Executive Stock Option Plan (ESOP)**

### 2018 ESOP

On April 5, 2018, the Plan was approved by the Parent Company's BOD and was ratified by the stockholders on May 28, 2018. The basic terms and conditions of the New Plan are as follows:

1. The New Plan covers up to 155.0 million shares allocated to the Parent Company's directors, officers and the officers of the operating mining subsidiaries.
2. The exercise price is ₱4.38.
3. The term of the Plan shall be five (5) years and the shares will vest to the participant yearly at a rate of 25% after the first year of the Plan or one year after execution of an Option Agreement.

### 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 officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱25.52, which is equivalent to ₱8.51 after the effect of stock dividends.
4. The Plan was partially granted on June 6, 2014 and January 13, 2015.
5. The term of the Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% per year after the first year of the Plan or July 18, 2015.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair values of the stock option are ₱7.53 and ₱8.42 which were estimated as at grant date, June 6, 2014 and January 13, 2015, 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 2014 ESOP at effective grant date:

	2014 ESOP	
	January 13, 2015	June 6, 2014
Grant date	January 13, 2015	June 6, 2014
Spot price per share	₱15.63	₱28.55
Exercise price	₱8.51	₱25.52
Expected volatility	33.52%	33.28%
Option life	4.40 years	5.00 years
Dividend yield	0.58%	3.88%
Risk-free rate	3.23%	3.30%

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

There have been no modifications or cancellations for the six months ended June 30, 2018 and 2017.

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

	Number of Options	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<i>2014 ESOP</i>		
Balances at January 1	55,027,152	56,222,764
Forfeited	-	(1,195,612)
Balances at end of period	55,027,152	55,027,152

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at January 1	₱137,635	₱126,622
Stock option expense (see Note 24)	1,896	11,013
Balances at end of period	₱139,531	₱137,635

## 17. Earnings Per Share

Basic and diluted EPS were computed as follows:

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	<b>₱1,568,679</b>	₱1,535,149
b. Weighted average number of common shares for basic EPS (in thousands)	<b>7,602,929</b>	7,602,929
c. Weighted average number of common shares adjusted for the effect of dilution (in thousands)	<b>7,602,929</b>	7,602,929
<b>Basic/Diluted EPS</b>	<b>₱0.21</b>	<b>₱0.20</b>

## 18. Cost of Sale of Ore

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Production overhead	<b>₱1,428,955</b>	₱1,174,443
Outside services	<b>729,524</b>	755,116
Personnel costs (see Note 24)	<b>528,929</b>	457,525
Depreciation, amortization and depletion (see Note 25)	<b>418,617</b>	502,871
Long-term stockpile inventory sold (see Note 11)	<b>184,198</b>	94,526
	<b>3,290,223</b>	2,984,481
Net changes in beneficiated nickel ore and limestone	<b>(30,069)</b>	63,458
	<b>₱3,260,154</b>	<b>₱3,047,939</b>

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 six-month period ended June 30</b>		
	<b>2018</b>	2017
	(Unaudited)	
Personnel costs (see Note 24)	<b>₱52,589</b>	₱49,217
Depreciation (see Note 25)	<b>49,641</b>	54,490
Overhead	<b>40,408</b>	37,848
Equipment operating cost	<b>37,784</b>	30,851
Outside services	<b>5,243</b>	4,424
	<b>₱185,665</b>	₱176,830

Equipment operating cost includes interest expense amounting to ₱23.9 million and ₱20.9 million for the six months ended June 30, 2018 and 2017, respectively (see Note 13).

## 20. Cost of Power Generation

<b>For the six-month period ended June 30</b>		
	<b>2018</b>	2017
	(Unaudited)	
Depreciation and amortization (see Note 25)	<b>₱80,340</b>	₱35,692
Overhead	<b>25,955</b>	18,267
Purchased power	<b>23,295</b>	28,892
Distribution wheeling service charges	<b>8,514</b>	–
Personnel costs (see Note 24)	<b>6,593</b>	5,336
Outside services	<b>3,992</b>	6,234
Materials and supplies	<b>374</b>	358
	<b>₱149,063</b>	₱94,779

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

## 21. Shipping and Loading Costs

<b>For the six-month period ended June 30</b>		
	<b>2018</b>	2017
	(Unaudited)	
Contract fees	<b>₱512,399</b>	₱450,269
Fuel, oil and lubricants	<b>122,977</b>	81,653
Depreciation and amortization (see Note 25)	<b>70,505</b>	89,963
Other services and fees	<b>61,117</b>	41,303
Personnel costs (see Note 24)	<b>41,037</b>	34,670
Materials and supplies	<b>40,558</b>	51,943
	<b>₱848,593</b>	₱749,801

## 22. Excise Taxes and Royalties

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Excise taxes	<b>₱277,541</b>	₱147,994
Royalties	<b>366,911</b>	353,820
	<b>₱644,452</b>	₱501,814

## 23. General and Administrative Expenses

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Personnel costs (see Note 24)	<b>₱176,889</b>	₱155,650
Taxes and licenses	<b>49,363</b>	27,541
Depreciation and amortization (see Note 25)	<b>37,118</b>	26,989
Entertainment, amusement and recreation	<b>36,515</b>	6,038
Outside services	<b>27,094</b>	23,014
Professional fees	<b>26,624</b>	26,559
Transportation and travel	<b>15,097</b>	10,799
Repairs and maintenance	<b>14,487</b>	11,407
Communications, light and water	<b>6,876</b>	7,026
Others	<b>103,902</b>	80,137
	<b>₱493,965</b>	₱375,160

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

## 24. Personnel Costs

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Salaries, wages and employee benefits	<b>₱804,141</b>	₱695,431
Cost of share-based payment plan (see Note 16)	<b>1,896</b>	6,967
	<b>₱806,037</b>	₱702,398

The amounts of personnel costs are distributed as follows:

<b>For the six-month period ended June 30</b>		
	<b>2018</b>	2017
	(Unaudited)	
Cost of:		
Sale of ore (see Note 18)	<b>₱528,929</b>	₱457,525
Services (see Note 19)	<b>52,589</b>	49,217
Power generation (see Note 20)	<b>6,593</b>	5,336
General and administrative (see Note 23)	<b>176,889</b>	155,650
Shipping and loading costs (see Note 21)	<b>41,037</b>	34,670
	<b>₱806,037</b>	₱702,398

## 25. Depreciation, Amortization and Depletion

The amounts of depreciation, amortization and depletion expense, including capitalized depreciation, are distributed as follows:

<b>For the six-month period ended June 30</b>		
	<b>2018</b>	2017
	(Unaudited)	
Cost of:		
Sale of ore (see Note 18)	<b>₱418,617</b>	₱502,871
Services (see Note 19)	<b>49,641</b>	54,490
Power generation (see Note 20)	<b>80,340</b>	35,692
Shipping and loading costs (see Note 21)	<b>70,505</b>	89,963
General and administrative (see Note 23)	<b>37,118</b>	26,989
Others	<b>1,659</b>	43,969
	<b>₱657,880</b>	₱753,974

## 26. Finance Income

<b>For the six-month period ended June 30</b>		
	<b>2018</b>	2017
	(Unaudited)	
Interest income (see Note 7)	<b>₱160,299</b>	₱143,354
Gain on sale of AFS financial assets	<b>46,208</b>	7,814
	<b>₱206,507</b>	₱151,168

## 27. Finance Expenses

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Interest expense on:		
Long-term debts (see Note 13)	<b>₱43,059</b>	₱82,039
Pension	<b>2,980</b>	2,436
Long-term payable	<b>577</b>	661
Short-term debt (see Notes 13 and 29)	–	4,300
Guarantee service fee (see Note 29)	<b>33,030</b>	32,789
Accretion of interest on provision for mine rehabilitation and decommissioning (see Note 14)	<b>4,538</b>	4,779
	<b>₱84,184</b>	₱127,004

## 28. Other Income (Charges) - Net

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Foreign exchange gains - net	<b>₱525,371</b>	₱166,521
Demurrage	<b>(79,316)</b>	(7,758)
Dividend income (see Note 7)	<b>27,430</b>	26,671
Management fee	<b>(10,706)</b>	(11,594)
Other services	<b>7,783</b>	923
Gain (loss) on:		
Write-off of trade and other receivables	<b>(7,363)</b>	–
Sale of property and equipment	<b>270</b>	(5,620)
Reversal of impairment losses on property and equipment	–	12,825
Reversal of impairment losses on inventories (see Note 6)	–	2,019
Write-off of input VAT	–	(14)
Rentals and accommodations	<b>6,374</b>	6,420
Issuance of fuel, oil and lubricants	<b>227</b>	(6,393)
Others	<b>29,039</b>	29,976
	<b>₱499,109</b>	₱213,976

## 29. Related Party Transactions

Set out below are the Group's transactions with related parties for the six-month period ended June 30, 2018 and 2017, including the corresponding assets and liabilities arising from the said transactions as at June 30, 2018 (Unaudited) and December 31, 2017 (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 Debts (see Note 13)		Terms	Conditions
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017		
<i>Stockholders</i>														
<b>Pacific Metals Co., Ltd.</b>														
Sale of ore	<b>₱835,093</b>	₱1,291,339	<b>₱258,739</b>	₱113,209	<b>₱-</b>	₱141	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	90% upon receipt of documents and 10% after the final dry weight and applicable assay have been determined; noninterest-bearing	Unsecured; no guarantee
Despatch	<b>1,653</b>	318	<b>464</b>	405	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
<b>SMM/Sumitomo Metal Mining Philippine Holdings Corporation</b>														
Guarantee service fee (see Note 27)	<b>33,030</b>	32,789	-	-	<b>21,580</b>	21,086	-	-	-	-	-	-	Every twenty first (21st) of February, March, August and September	Unsecured

(Forward)

NICKEL ASIA CORPORATION

17-Q Quarterly Report

June 30, 2018

	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 Debts (see Note 13)		Terms	Conditions
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017		
<b>SMM/Sumitomo Metal Mining Philippine Holdings Corporation</b>														
Loan facility	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-	₱22,369	Principal is payable in semi-annual installments, interest is based on 180-day British Banker Association LIBOR plus 2% spread	Secured; with guarantee
Short-term advances	1,250	26,731	-	-	-	-	-	-	28,000	28,000	-	-	Collectible upon billing/payable on demand; noninterest-bearing	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 13 and 27)	137	923	-	-	-	182	-	-	-	-	-	-	Payable semi-annually on February 28 and August 31	Secured; with guarantee
<b>Nickel Asia Holdings Inc.</b>														
Short-term advances	1	1	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

NICKEL ASIA CORPORATION

17-Q Quarterly Report

June 30, 2018

	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 Debts (see Note 13)		Terms	Conditions
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017		
<i>With Common Stockholders</i>														
<b>Manta Equities, Inc.</b>														
Rentals, dues and utilities	<b>₱15,380</b>	₱14,194	<b>₱-</b>	₱-	<b>₱5,645</b>	₱193	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	<b>10,184</b>	10,205	-	-	-	-	-	-	-	-	-	-	Collectible at the end of the lease; noninterest bearing	Unsecured; no guarantee
Interest expense on short-term debt (see Note 27)	-	4,300	-	-	-	-	-	-	-	-	-	-	Interest is payable at the end of loan agreement	Unsecured; no guarantee
Sale of power	<b>13,949</b>	14,198	<b>2,753</b>	2,506	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<i>Associates</i>														
<b>CBNC</b>														
Sale of ore and limestone	<b>962,242</b>	635,777	<b>207,829</b>	102,830	-	-	-	-	-	-	-	-	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Materials handling	<b>95,702</b>	80,798	<b>41,241</b>	28,187	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Infralase and throughput	<b>10,370</b>	25,686	<b>8,003</b>	30,936	-	-	-	-	-	-	-	-	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
(Forward)														

NICKEL ASIA CORPORATION

17-Q Quarterly Report

June 30, 2018

	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 Debts (see Note 13)		Terms	Conditions
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017		
<b>CBNC</b>														
Other income	<b>₱25,844</b>	₱23,971	<b>₱28,155</b>	₱9,743	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	<b>₱-</b>	₱-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
<b>THNC</b>														
Sale of ore	<b>1,300,501</b>	657,156	<b>229,324</b>	168,162	-	-	-	-	-	-	-	-	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Materials handling	<b>126,226</b>	149,882	<b>41,465</b>	28,418	-	-	-	-	-	-	-	-	Collectible on demand; noninterest bearing	Unsecured; no guarantee
Rendering of service	<b>71,775</b>	69,491	<b>35,716</b>	33,433	-	-	-	-	-	-	-	-	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Rental income	<b>3,352</b>	3,352	<b>333</b>	-	-	-	-	-	-	-	-	-	Collectible on demand; non-interest bearing	Unsecured; no guarantee
Rental deposit	-	-	-	-	<b>3,352</b>	3,352	-	-	-	-	-	-	Collectible at the end of the lease term; noninterest bearing	Unsecured; no guarantee
Loan facility	-	-	-	-	-	-	-	-	-	-	<b>1,213,485</b>	1,179,596	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread	Unsecured; with guarantee

(Forward)

NICKEL ASIA CORPORATION

17-Q Quarterly Report

June 30, 2018

	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 Debts (see Note 13)		Terms	Conditions
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017		
<b>THNC</b>														
Rendering of other services	₱-	₱1,549	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	Collectible upon billing; non-interest bearing	Unsecured; no guarantee
Short-term advances	-	-	-	-	-	-	7,768	6,666	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 13 and 19)	23,950	20,913	-	-	9,889	7,656	-	-	-	-	-	-	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
<i>Affiliates</i>														
<b>Orka Geothermal Holdings, Inc.</b>														
Short-term advances	1	-	-	-	-	-	667	666	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>OGI</b>														
Short-term advances	-	-	-	-	-	-	-	-	1,121,062	1,121,062	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<b>BGHI</b>														
Short-term advances	-	-	-	-	-	-	19	19	4,194,305	4,194,305	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
			<b>₱854,022</b>	<b>₱517,829</b>	<b>₱40,466</b>	<b>₱32,610</b>	<b>₱8,454</b>	<b>₱7,351</b>	<b>₱5,343,367</b>	<b>₱5,343,367</b>	<b>₱1,213,485</b>	<b>₱1,201,965</b>		

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 June 30, 2018 and December 31, 2017 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 six months ended June 30, 2018 and 2017 amounted to about ₱119.1 million and ₱107.1 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.

On October 15, 2015, EPI has issued a continuing guarantee to a vendor until the guaranteed amounts as defined in the vendor contract has been paid in full.

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

### 30. Income Taxes

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

	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Current	<b>₱752,013</b>	₱994,273
Deferred	<b>67,245</b>	(60,024)
	<b>₱819,258</b>	₱934,249

### 31. 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 approximates its fair value due to the short-term nature and maturity of these financial instruments.

*Trade and Other Receivables and Trade and Other Payables*

Similarly, the carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

*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.

*AFS Financial Assets*

The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost, less any impairment losses.

*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 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 June 30, 2018 and December 31, 2017, the Group's AFS financial assets are classified under Level 1 and 3.

As at June 30, 2018 and December 31, 2017, 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.

### **32. 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 and limestone.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC, THNC and other parties.

The power segment is engaged in power generation and exploration for geothermal resources.

The Group's identified reportable segments are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

Financial information on the operation of the various business segments are set out on next page.

NICKEL ASIA CORPORATION

17-Q Quarterly Report

June 30, 2018

	June 30, 2018 (Unaudited)											Total
	Mining					Power		Services			Eliminations	
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others		
External customers	537,013	835,204	3,068,629	2,496,792	-	129,487	-	308,452	-	-	-	7,375,577
Inter-segment revenues	-	-	-	-	-	-	-	-	1,537	273,077	(274,614)	-
<b>Total revenues</b>	<b>537,013</b>	<b>835,204</b>	<b>3,068,629</b>	<b>2,496,792</b>	<b>-</b>	<b>129,487</b>	<b>-</b>	<b>308,452</b>	<b>1,537</b>	<b>273,077</b>	<b>(274,614)</b>	<b>7,375,577</b>
Cost of sale of ore	329,002	426,320	1,256,809	1,248,023	-	-	-	-	-	-	-	3,260,154
Cost of services	-	-	-	-	-	-	-	185,665	-	-	-	185,665
Cost of power generation	-	-	-	-	-	149,063	-	-	-	-	-	149,063
Shipping and loading costs	172,966	167,424	321,460	193,349	-	-	-	-	(6,606)	-	-	848,593
Excise taxes and royalties	48,366	163,249	306,863	124,839	-	1,135	-	-	-	-	-	644,452
Marketing	1,127	29,232	7,667	-	-	-	-	-	-	-	-	38,026
<b>Segment operating earnings (losses)</b>	<b>(14,448)</b>	<b>48,979</b>	<b>1,175,830</b>	<b>930,581</b>	<b>-</b>	<b>(20,711)</b>	<b>-</b>	<b>122,787</b>	<b>8,143</b>	<b>273,077</b>	<b>(274,614)</b>	<b>2,249,624</b>
General and administrative	48,169	15,884	69,292	44,281	52,287	77,891	21,386	-	-	164,775	-	493,965
Finance income	1,110	13,301	14,398	14,120	23	67	145	-	-	163,343	-	206,507
Finance expenses	-	1,395	1,960	2,715	-	42,923	7,363	-	-	27,828	-	84,184
Provision for (benefit from) income tax	8,785	9,687	344,849	270,283	-	(308)	-	-	(1,427)	187,389	-	819,258
<b>Net income (loss) attributable to equity holders of the parent</b>	<b>(75,990)</b>	<b>49,463</b>	<b>616,131</b>	<b>501,318</b>	<b>(52,384)</b>	<b>(120,617)</b>	<b>(28,604)</b>	<b>-</b>	<b>-</b>	<b>679,362</b>	<b>-</b>	<b>1,568,679</b>
Segment assets	1,550,673	2,421,489	9,652,715	4,603,228	1,237,022	11,720,057	890,222	-	40,915	14,521,558	-	46,637,879
Deferred income tax assets - net	38,883	26,311	52,076	29,699	22,534	-	-	-	-	-	-	169,503
<b>Total assets</b>	<b>1,589,556</b>	<b>2,447,800</b>	<b>9,704,791</b>	<b>4,632,927</b>	<b>1,259,556</b>	<b>11,720,057</b>	<b>890,222</b>	<b>-</b>	<b>40,915</b>	<b>14,521,558</b>	<b>-</b>	<b>46,807,382</b>
Segment liabilities	296,203	448,718	2,728,246	954,510	128,335	7,267,168	921	-	-	351,700	-	12,175,801
Deferred income tax liabilities - net	-	-	-	129,312	164,105	112,518	-	-	18,988	253,619	-	678,542
<b>Total liabilities</b>	<b>296,203</b>	<b>448,718</b>	<b>2,728,246</b>	<b>1,083,822</b>	<b>292,440</b>	<b>7,379,686</b>	<b>921</b>	<b>-</b>	<b>18,988</b>	<b>605,319</b>	<b>-</b>	<b>12,854,343</b>
Capital expenditures	98,739	180,859	279,845	104,113	20,674	3,816	5,280	-	-	27,343	-	720,669
Depreciation, amortization and depletion	113,559	84,973	277,724	67,040	11,162	83,751	2,614	-	4,756	12,301	-	657,880

**NICKEL ASIA CORPORATION**  
17-Q Quarterly Report  
June 30, 2018

	December 31, 2017 (Audited)												
	Mining					Power		Services			Eliminations	Total	
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others			
External customers	P2,326,086	P2,248,439	P5,728,026	P4,594,530	P-	P212,152	P-	P630,063	P-	P-	P-	P-	P15,739,296
Inter-segment revenues	-	-	-	-	-	-	-	-	3,976	550,635	-	-	-
<b>Total revenues</b>	<b>2,326,086</b>	<b>2,248,439</b>	<b>5,728,026</b>	<b>4,594,530</b>	<b>-</b>	<b>212,152</b>	<b>-</b>	<b>630,063</b>	<b>3,976</b>	<b>550,635</b>	<b>(554,611)</b>	<b>-</b>	<b>15,739,296</b>
Cost of sale of ore	931,522	846,174	2,184,112	2,071,433	-	-	-	-	-	-	-	-	6,033,241
Cost of services	-	-	-	-	-	-	-	351,339	-	-	-	-	351,339
Cost of power generation	-	-	-	-	-	257,276	-	-	-	-	-	-	257,276
Shipping and loading costs	447,781	379,990	505,921	283,205	-	-	-	-	9,513	-	-	-	1,626,410
Excise taxes and royalties	162,826	344,781	458,242	137,837	-	-	-	-	-	-	-	-	1,103,686
Marketing	4,272	78,695	8,748	4,749	-	-	-	-	-	-	-	-	96,464
<b>Segment operating earnings (losses)</b>	<b>P779,685</b>	<b>P598,799</b>	<b>P2,571,003</b>	<b>P2,097,306</b>	<b>P-</b>	<b>(P45,124)</b>	<b>P-</b>	<b>P278,724</b>	<b>(P5,537)</b>	<b>P550,635</b>	<b>(P554,611)</b>	<b>-</b>	<b>P6,270,880</b>
General and administrative	P87,442	P36,480	P125,379	P59,073	P69,898	P117,647	P27,400	P-	P-	P339,834	P-	P-	P863,153
Finance income	P5,978	P30,574	P34,594	P31,398	P85	P903	P-	P-	P-	P212,771	P-	P-	P316,303
Finance expenses	P2,757	P5,531	P13,014	P9,956	P1,067	P143,142	P-	P-	P-	P71,148	P-	P-	P246,615
Provision for (benefit from) income tax	P146,220	P140,563	P721,040	P611,662	P15,258	(P11,646)	P-	P-	(P2,854)	P116,613	P-	P-	P1,736,856
Net income (loss) attributable to equity holders of the parent	P500,093	P416,018	P1,328,377	P1,019,140	(P86,635)	(P193,171)	(P27,398)	P-	P-	(P185,656)	P-	P-	P2,770,768
Segment assets	P1,615,725	P2,278,744	P9,305,400	P4,760,082	P1,209,246	P11,816,229	P836,478	P-	P33,592	P13,548,509	P-	P-	P45,404,005
Deferred income tax assets	47,738	32,692	85,256	63,429	52,108	-	-	-	-	51,871	-	-	333,094
<b>Total assets</b>	<b>P1,663,463</b>	<b>P2,311,436</b>	<b>P9,390,656</b>	<b>P4,823,511</b>	<b>P1,261,354</b>	<b>P11,816,229</b>	<b>P836,478</b>	<b>P-</b>	<b>P33,592</b>	<b>P13,600,380</b>	<b>P-</b>	<b>P-</b>	<b>P45,737,099</b>
Segment liabilities	P264,974	P386,564	P2,221,117	P1,004,573	P121,480	P7,340,591	P7,790	P-	P-	P404,948	P-	P-	P11,752,037
Deferred income tax liabilities - net	3,839	5,542	15,412	218,451	193,679	112,826	-	-	20,415	196,710	-	-	766,874
<b>Total liabilities</b>	<b>P268,813</b>	<b>P392,106</b>	<b>P2,236,529</b>	<b>P1,223,024</b>	<b>P315,159</b>	<b>P7,453,417</b>	<b>P7,790</b>	<b>P-</b>	<b>P20,415</b>	<b>P601,658</b>	<b>P-</b>	<b>P-</b>	<b>P12,518,911</b>
Capital expenditures	P80,245	P210,998	P341,973	P86,517	P81,642	P637,543	P27,607	P-	P-	P27,933	P-	P-	P1,494,458
Depreciation, amortization and depletion	P265,899	P150,875	P549,083	P310,915	P7,866	P161,027	P2,472	P-	P9,513	P22,395	P-	P-	P1,480,045

**NICKEL ASIA CORPORATION**  
17-Q Quarterly Report  
June 30, 2018

	June 30, 2017 (Unaudited)											
	Mining					Power		Services			Eliminations	Total
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others		
External customers	887,927	845,679	2,694,832	2,971,286	-	101,347	-	320,411	-	-	-	7,821,482
Inter-segment revenues	-	-	-	-	-	-	-	-	3,976	268,757	(272,733)	-
<b>Total revenues</b>	<b>887,927</b>	<b>845,679</b>	<b>2,694,832</b>	<b>2,971,286</b>	<b>-</b>	<b>101,347</b>	<b>-</b>	<b>320,411</b>	<b>3,976</b>	<b>268,757</b>	<b>(272,733)</b>	<b>7,821,482</b>
Cost of sale of ore	381,088	414,905	1,222,297	1,029,649	-	-	-	-	-	-	-	3,047,939
Cost of services	-	-	-	-	-	-	-	176,830	-	-	-	176,830
Cost of power generation	-	-	-	-	-	94,779	-	-	-	-	-	94,779
Shipping and loading costs	174,858	153,207	234,303	182,676	-	-	-	-	4,757	-	-	749,801
Excise taxes and royalties	62,155	133,395	215,587	89,138	-	1,539	-	-	-	-	-	501,814
Marketing	-	29,599	2,589	4,749	-	-	-	-	-	-	-	36,937
<b>Segment operating earnings (losses)</b>	<b>269,826</b>	<b>114,573</b>	<b>1,020,056</b>	<b>1,665,074</b>	<b>-</b>	<b>5,029</b>	<b>-</b>	<b>143,581</b>	<b>(781)</b>	<b>268,757</b>	<b>(272,733)</b>	<b>3,213,382</b>
General and administrative	38,699	13,110	55,657	33,417	28,687	56,022	-	-	-	149,568	-	375,160
Finance income	1,379	14,204	14,104	16,091	61	745	-	-	-	104,584	-	151,168
Finance expenses	-	1,181	2,167	3,534	-	85,417	-	-	-	34,705	-	127,004
Provision for (benefit from) income tax	50,014	23,320	303,282	485,642	-	(308)	-	-	(1,427)	73,726	-	934,249
Net income (loss) attributable to equity holders of the parent	183,269	96,577	564,527	786,891	(28,766)	(75,425)	(10,351)	-	-	18,427	-	1,535,149
Segment assets	1,962,945	2,426,630	9,742,617	5,894,389	1,125,662	11,865,898	795,097	-	26,416	13,095,505	-	46,935,159
Deferred income tax assets - net	33,843	23,597	64,527	27,460	37,758	-	-	-	-	-	-	187,185
<b>Total assets</b>	<b>1,996,788</b>	<b>2,450,227</b>	<b>9,807,144</b>	<b>5,921,849</b>	<b>1,163,420</b>	<b>11,865,898</b>	<b>795,097</b>	<b>-</b>	<b>26,416</b>	<b>13,095,505</b>	<b>-</b>	<b>47,122,344</b>
Segment liabilities	435,229	415,883	2,650,669	1,297,100	61,019	8,987,813	1,111	-	-	378,141	-	14,226,965
Deferred income tax liabilities - net	-	-	-	205,554	164,105	124,493	-	-	21,842	176,401	-	692,395
<b>Total liabilities</b>	<b>435,229</b>	<b>415,883</b>	<b>2,650,669</b>	<b>1,502,654</b>	<b>225,124</b>	<b>9,112,306</b>	<b>1,111</b>	<b>-</b>	<b>21,842</b>	<b>554,542</b>	<b>-</b>	<b>14,919,360</b>
Capital expenditures	59,084	171,632	176,528	94,040	53,095	505,678	16,383	-	-	16,056	-	1,092,496
Depreciation, amortization and depletion	133,133	73,344	282,896	186,798	3,320	62,838	473	-	-	11,172	-	753,974

The Group has revenues from external customers as follows:

Country of Domicile	<b>For the six-month period ended June 30</b>	
	<b>2018</b>	2017
	(Unaudited)	
China	<b>₱3,785,233</b>	₱4,760,895
Local	<b>2,755,251</b>	1,769,247
Japan	<b>835,093</b>	1,291,340
	<b>₱7,375,577</b>	₱7,821,482

The revenue information above is based on the location of the customers.

Revenue arising from two key customers for the sale of ores amounted to ₱4,350.0 million and ₱4,336.7 million for the six months ended June 30, 2018 and 2017, respectively.

The Group has noncurrent assets consisting of property and equipment and investment properties located in the Parent Company's country of domicile amounting to ₱15,480.2 million and ₱15,418.9 million as at June 30, 2018 and December 31, 2017, respectively.