NICKEL ASIA CORP.

September 20, 2012

THE PHILIPPINE STOCK EXCHANGE INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re : Amended SEC Form 17-Q 2012 2nd Quarter Report
x ==x

Dear Madam:

We submit to you herewith a copy of our Company's Amended SEC Form 17-Q 2012 2nd Quarter Report for the period ended June 30, 2012.

Additional disclosures are as follow:

Note 2: Basis of Preparation and Consolidation and Statement of Compliance

1) We included a list of future changes in accounting policies.
2) We disclosed that after consideration of the result of the impact evaluation using the outstanding balances of financial statements as of December 31, 2011, the Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 reporting. The Group will, however, continue to evaluate the impact of the standard in the financial statements for the year 2012.

Note 29: Financial Instruments

We included a disclosure on the comparison of the fair values of the financial instruments.

Others:

We attached a schedule showing the comparative financial soundness indicators as follows: 1) current ratio; 2) debt-to-equity ratio; 3) asset-to-equity ratio; 4) interest rate coverage ratio; 5) profitability/net income ratio.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP - Chief Financial Officer

6th Floor NAC Centre, 143 Dela Rosa cor., Adelantado Sts., Legaspi Village, Makati City
Tel. No. +632 892-6669 I +632 892-4177 I Fax No. +632 892-5344

COVER SHEET

CS200811530

SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

6th Floor NAC Centre 143 Dela Rosa Street, Legaspi Village Makati City

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

EMMANUEL L. SAMSON

(Contact Person)

892-6669 / 892-4177

(Company Telephone Number)

1 2	3 1		1 7 - Q		0 6	1st Friday
Month	*Day*		(Form Type)		*Month*	*Day*
(Calendar Year)			**AMENDED**		(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

33	₱1,639.2 million	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number CS200811530
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

6th Floor, NAC Centre, 143 Dela Rosa Street,
Legaspi Village, Makati 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
Amended
Form Type

____
Amendment Delegation (If applicable)

For the quarter ended
June 30, 2012
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **JUNE 30, 2012**
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
   6th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City — **1229**
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.
   Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**1,342,244,178 Shares**
Long-term Debt	**Php 1,639.2 million**

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

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

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

NICKEL ASIA CORPORATION
17-Q QUARTERLY REPORT
JUNE 30, 2012

TABLE OF CONTENTS **Page No.**

PART I – FINANCIAL INFORMATION

Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at June 30, 2012 and for the three-month and six-month period ended June 30, 2012 and 2011 (with Comparative Audited Financial Statement of Financial Position as at December 31, 2011) are hereto attached.

The following table sets forth the summary financial information for the three-month and six-month period ended June 30, 2012 and 2011 and as at June 30, 2012 and December 31, 2011:

Summary Consolidated Statements of Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2012	**2011**	**2012**	**2011**
	(In thousand pesos)		*(In thousand pesos)*	
Revenues	3,559,655	3,305,677	5,306,434	5,374,467
Cost and expenses	(2,108,758)	(1,428,030)	(3,171,507)	(2,458,225)
Finance income	52,035	51,807	119,947	87,172
Finance expenses	(5,190)	(4,022)	(10,962)	(8,037)
Other income - net	182,915	412,742	130,337	402,986
Provision for income tax - net	(373,079)	(363,848)	(550,236)	(615,058)
Net income	1,307,578	1,974,326	1,824,013	2,783,305
Net income attributable to:				
Equity holders of the Parent	989,328	1,300,983	1,274,705	1,728,988
Non-controlling interests	318,250	673,343	549,308	1,054,317
	1,307,578	1,974,326	1,824,013	2,783,305

Summary Consolidated Statements of Financial Position

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	13,950,400	14,234,599	(284,199)	(2.0%)
Noncurrent assets	12,794,483	12,151,814	642,669	5.3%
Total assets	26,744,883	26,386,413	358,470	1.4%
Current liabilities	2,079,629	1,637,815	441,814	27.0%
Noncurrent liabilities	2,315,523	2,455,789	(140,266)	(5.7%)
Non-controlling interests	4,330,541	4,381,233	(50,692)	(1.2%)
Equity attributable to equity holders of the Parent	18,019,190	17,911,576	107,614	0.6%
Total liabilities and equity	26,744,883	26,386,413	358,470	1.4%

Summary Consolidated Statements of Cash Flows

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2012	2011	2012	2011
	(In Thousand Pesos)		(In Thousand Pesos)	
Net cash flows generated from (used in):				
Operating activities	(4,681)	1,702,632	570,805	2,124,565
Investing activities	(720,925)	(631,727)	(1,258,395)	(415,643)
Financing activities	(1,688,481)	(1,042,225)	(1,701,619)	(941,963)
Net increase (decrease) in cash and cash equivalents	(2,414,087)	28,680	(2,389,209)	766,959
Cash and cash equivalents, beginning	10,375,470	7,544,247	10,350,592	6,805,968
Cash and cash equivalents, end	7,961,383	7,572,927	7,961,383	7,572,927

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, 2011 and June 30, 2012, 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, 2012 compared with six months ended June 30, 2011

Revenues

Our total revenues were ₱5,306.4 million in the six months ended June 30, 2012 as compared to ₱5,374.5 million in the six months ended June 30, 2011, a decrease of ₱68.1 million or 1%.

Sale of ore

We sold an aggregate 5.02 million wet metric tonnes ("WMT") of nickel ore in the six months ended June 30, 2012, an increase of 19% compared to 4.22 million WMT of nickel ore in the six months ended June 30, 2011. Our sales for the six months of this year included 644.4 thousand WMT of saprolite ore to Japanese customers, 2,707.7 thousand WMT of saprolite and limonite ore to our Chinese customers and 1,667.9 thousand WMT of limonite ore to Coral Bay Nickel Corporation ("CBNC"), compared to sales of 360.7 thousand WMT, 2,550.6 thousand WMT and 1,305.9 thousand WMT, respectively, for the same period last year.

Our revenue from sale of nickel ore was ₱5,052.4 million in the six months ended June 30, 2012 as compared to ₱5,117.4 million in the six months ended June 30, 2011, a decrease of ₱65.0 million, or 1%, mainly as a result of lower London Metal Exchange ("LME") nickel prices despite a higher sales volume achieved. The realized nickel price applicable to 2.37 million WMT of ore shipped in the first half was at an average of \$8.60 per pound of payable nickel as against \$11.48 per pound of payable nickel realized during the same period last year. LME prices in the first half of 2011 were quite favorable as compared to the full year average price of \$10.35 per pound. The balance of the shipments for the first half was sold on the basis of negotiated prices per WMT of ore, which averaged $25.87 per WMT of ore compared to $21.73 per WMT for the same period last year.

We own 60% of Rio Tuba Nickel Mining Corporation ("RTN"), which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of nickel ore was ₱2,174.4 million in the six months ended June 30, 2012 as compared to ₱3,228.8 million in the six months ended June 30, 2011, a decrease of ₱1,054.4 million, or 33%. RTN sold an aggregate 2,781.1 thousand WMT of nickel ore in the first six months of this year as compared to an aggregate 2,540.9 thousand WMT of nickel ore sold in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 32.9 thousand WMT or 17% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 154.7 thousand WMT or 15%. On the other hand, the volume of limonite ore sold to CBNC increased by 362.0 thousand WMT or 28%. Limonite ore sold to CBNC during the first six months of this year had an average nickel grade of 1.28% compared to 1.34% for the same period last year.

RTN's revenue from sale of limestone ore was ₱19.9 million in the six months ended June 30, 2012, as compared to ₱45.1 million in the same period last year, a decrease of ₱25.2 million or 56%. The decrease in revenue was due mainly to the 58% drop in limestone ore deliveries to CBNC, or from 73.7 thousand WMT during the first half of 2011 to 31.3 thousand WMT for the same period this year. The delay in the processing of our request for a tree-cutting permit caused the decline in limestone production and deliveries to CBNC.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mining operations. TMC's revenue from sale of ore was ₱1,383.8 million in the six months ended June 30, 2012 as compared to ₱1,138.6 million in the six months ended June 30, 2011, an increase of ₱245.2 million, or 22%. TMC sold an aggregate 1,045.3 thousand WMT of nickel ore in the first six months of this year as compared to an aggregate 584.7 thousand WMT of nickel ore in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 160.8 thousand WMT or 95%. In addition, TMC sold 715.7 thousand WMT of low-grade saprolite and limonite ore to Chinese customers in the six months ended June 30, 2012, an increase of 299.8 thousand WMT or 72% compared to 415.9 thousand WMT in the comparable period last year.

We own 100% of CMC, which owns and operates the Cagdianao mining operations. CMC's revenue from sale of ore was ₱371.0 million in the six months ended June 30, 2012 as compared to ₱225.8 million in the six months ended June 30, 2011, an increase of ₱145.2 million, or 64%. CMC sold an aggregate 299.2 thousand WMT of nickel ore in the first six months of this year as compared to an aggregate 103.2 thousand WMT of nickel ore in the same period last year.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of ore was ₱1,123.2 million in the six months ended June 30, 2012 as compared to ₱524.3 million in the six months ended June 30, 2011, an increase of ₱598.9 million, or 114%. In 2012, HMC managed to sell an aggregate 894.3 thousand WMT of limonite ore to Chinese customers in the first six months of this year as compared to 988.6 thousand WMT of limonite ore in the same period last year.

Services and Others
Our revenue from services and others was ₱234.2 million in the six months ended June 30, 2012 as compared to ₱211.9 million in the six months ended June 30, 2011, an increase of ₱22.3 million, or 11%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN provides to CBNC and usage fee charged by TMC to Taganito HPAL Corporation (THNC) for the use of its newly constructed pier facility.

Costs and Expenses
Our costs and expenses amounted to ₱3,171.5 million in the six months ended June 30, 2012 as compared to ₱2,458.2 million in the six months ended June 30, 2011, an increase of ₱713.3 million, or 29%.

Cost of Sales
Our cost of sales was ₱1,826.8 million in the six months ended June 30, 2012 as compared to ₱1,437.1 million in the six months ended June 30, 2011, an increase of ₱389.7 million, or 27%. The increase in cost of sales was due largely to more volume handled and sold in 2012.

Cost of Services
Cost of services was ₱185.3 million in the six months ended June 30, 2012as compared to ₱108.6 million in the six months ended June 30, 2011, an increase of ₱76.7 million, or 71%. Costs of services largely consist of the cost of providing hauling, manpower and other ancillary services by RTN to CBNC and costs of maintaining the pier facility used by THNC. Items which contributed in the increase in cost of services includes depreciation and depletion which increased from ₱38.2 million in 2011 to ₱72.7 million in 2012, outside services from ₱13.3 million to ₱44.5 million and equipment operating costs from ₱26.7 million to ₱39.2 million.

Shipping and Loading
Shipping and loading costs were ₱561.0 million in the six months ended June 30, 2012 as compared to ₱441.8 million in the six months ended June 30, 2011, an increase of ₱119.2 million, or 27%. The increase was due to higher contract fees from ₱248.6 million to ₱320.8 million, and personnel costs from ₱37.8 million to ₱57.8 million, as a result of the increase in volume shipped during the second quarter of 2012 and due to the dry docking and servicing of four landing craft transports (“LCT’s”) in preparation for the current year mining season. The foregoing also resulted to higher fuel, oil and lubricant costs from ₱63.6 million to ₱76.8 million and higher materials and supplies from ₱29.0 million to ₱43.9 million.

General and Administrative

General and administrative expenses were ₱306.7 million in the six months ended June 30, 2012 as compared to ₱242.0 million in the six months ended June 30, 2011, an increase of ₱64.7 million, or 27%. The increase was attributable mainly to guarantee fee of ₱43.3 million, which is related to the Taganito HPAL project, in the six months ended June 30, 2012. Taxes and licenses also increased from ₱17.4 million to ₱28.9 million due to fringe benefit tax incurred on the exercise of employee stock option and commission expense increased from ₱6.0 million to ₱17.1 million.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱291.6 million in the six months ended June 30, 2012 as compared to ₱228.8 million in the six months ended June 30, 2011, an increase of ₱62.8 million, or 27%. The increase in excise taxes and royalties was a result of our increased sales revenue from TMC, HMC and CMC in 2012.

Finance Income

Our finance income was ₱119.9 million in the six months ended June 30, 2012 as compared to ₱87.2 million in the six months ended June 30, 2011, an increase of ₱32.7 million, or 38%. Our finance income primarily consists of interest income on our cash balances and other investments. The increase was brought by higher amount of investment in 2012 than in 2011.

Finance Expense

Our finance expense was ₱11.0 million in the six months ended June 30, 2012 as compared to ₱8.0 million in the six months ended June 30, 2011, an increase of ₱3.0 million, or 38%. Our finance expense primarily consists of interest expense on our long-term debt and others, which increased from ₱4.0 million to ₱5.1 million and provisions for mine rehabilitation and decommissioning, which increased from ₱3.4 million to ₱3.5 million. Additional provision for impairment losses on receivables for the six months ended June 30, 2012 were also higher compared to the six months ended June 30, 2011 by ₱1.7 million.

Other Income - Net

Our other income - net in the six months ended June 30, 2012 was ₱130.3 million as compared to ₱403.0 million in the six months ended June 30, 2011. Our other income - net in the first six months of the current year primarily consists of dividend income from Coral Bay Nickel Corporation, which decreased from ₱434.2 million to ₱191.9 million, net foreign exchange losses which increased from ₱37.5 million to ₱99.7 million due to the appreciation of the peso relative to the U.S. dollar, and our share in pre-operating loss of THNC which increased from ₱19.6 million to ₱49.6 million. The net decrease in other income was partially offset by despatch earned during the six months ended June 30, 2012 amounting to ₱21.8 million whereas during the six months ended June 30, 2011 a demurrage amounting to ₱56.7 million was incurred and the gain on bargain purchase of La Costa Shipping and Lighterage Corporation of ₱70.0 million.

Provision for (Benefit from) Income Tax

Net provision for income tax was ₱550.2 million in the six months ended June 30, 2012 as compared to ₱615.1 million in the six months ended June 30, 2011, a decrease of ₱64.9 million, or 11%.

Current
Our current provision for income tax in the six months ended June 30, 2012 was ₱651.7 million as compared to ₱648.3 million in the six months ended June 30, 2011, an increase of ₱3.4 million, or 1%.

Deferred
Our deferred benefit from income tax in the six months ended June 30, 2012 was ₱101.4 million as compared to ₱33.2 million in the six months ended June 30, 2011, an increase of ₱68.2 million, or 205%. The increase was primarily due to the increase in unrealized foreign exchange losses and additional net operating loss carry-over in the six months ended June 30, 2012.

Net Income
As a result of the foregoing, our net income was ₱1,824.0 million in the six months ended June 30, 2012 as compared to ₱2,783.3 million in the six months ended June 30, 2011. Net of non-controlling interests, our net income was ₱1,274.7 million in the six months ended June 30, 2012 compared to a net income of ₱1,729.0 million during the same period last year.

Statement of Financial Position
As of June 30, 2012, Total Assets increased to ₱26,744.9 million from ₱26,386.4 million as of the end of 2011. Current Assets decreased to ₱13,950.4 million from ₱14,234.6 million during the same comparable period primarily due to the decrease in cash and cash equivalents which is partially reduced by the increase in trade and other receivables from ₱1,156.3 million to ₱2,131.8 million arising from the sale of ores and services, inventories from ₱2,008.0 million to ₱2,997.3 million due to increase in production cost, and available-for-sale (AFS) financial assets from ₱660.5 million to ₱775.3 million due to acquisition of additional AFS financial assets. On the other hand, non-current assets increased from ₱12,151.8 million to ₱12,794.5 million mainly due to acquisitions of various property and equipments such as dump trucks, wheel loader, excavator and others.

Total current liabilities increased to ₱2,079.6 million as of June 30, 2012 from ₱1,637.8 million as of December 31, 2011 due to increases in trade and other payables from ₱1,238.1 million to ₱1,546.7 million and income tax payable from ₱275.2 million to ₱434.8 million. On the other hand, total noncurrent liabilities decreased to ₱2,315.5 million as of June 30, 2012 from ₱2,455.8 million as of December 31, 2011 due to payments of long-term debt of ₱60.8 million and decrease in deferred income tax liabilities to ₱541.6 million from ₱591.1 million.

Our equity net of non-controlling interests as of June 30, 2012 increased to ₱18,019.2 million from ₱17,911.6 million as of year-end 2011, as a result of the net earnings for the first six months of 2012 less cash dividends declared and paid.

Statement of Cash Flows
The net cash from operating activities amounted to ₱763.2 million for the six months ended June 30, 2012 compared to ₱2,564.2 million for the same period last year, as proceeds from the sale of ore decreased in 2012 compared to 2011. Also, inventories as of June 30, 2012 are higher than as of December 31, 2011. Net cash used in investing activities amounted to ₱1,258.4 million for the six months ended June 30, 2012, largely as a result of investments in property and equipment of ₱1,140.2 million and net acquisitions of AFS financial assets of ₱77.6 million. In

2011, net cash used in investment activities amounted to ₱415.6 million, which primarily consist of investments in property and equipment of ₱748.4 million and net acquisitions of AFS financial assets of ₱286.5 million. In 2012 and 2011, the net cash used in investing activities was partially reduced by the dividends received which amounted to ₱192.4 million and ₱439.7 million, respectively. Net cash used in financing activities for the six months ended June 30, 2012 amounted to ₱1,701.6 million primarily due to cash dividends paid and partial settlement of long-term debt during the period. In 2011, net cash used in financing activities amounted to ₱942.0 million due also to cash dividends paid and partial settlement of long-term debt. These finances were partially offset by the proceeds from availment of long-term debt amounting to ₱308.1 million. As of June 30, 2012, cash and cash equivalents amounted to ₱7,961.4 million compared to ₱7,572.9million as of June 30, 2011.

Top Five (5) Key Performance Indicators

LME price

We typically sell high- and low-grade saprolite ore to Pacific Metal Co., Ltd. ("PAMCO") and Sumitomo Metal Mining Co., Ltd. ("SMM") under long-term agreements and we are the exclusive supplier of limonite ore, also under a long-term agreement, to the Coral Bay HPAL facility. The price of nickel ore sold to PAMCO and the Coral Bay HPAL facility is determined based on a payable percentage of the nickel contained in the ore, multiplied by average LME nickel prices over specified quotational periods. The payable percentage of the nickel contained in the ore is correlated, in a non-linear manner, with LME nickel prices, with higher LME prices resulting in a higher payable percentage of nickel and vice versa. Accordingly, higher LME nickel prices results both in a higher percentage of payable nickel in our ore to these customers as well as in higher prices, and can therefore have a substantial effect on our overall revenue. Nickel prices and demand for nickel typically increase during periods of high global demand for stainless steel.

Nickel prices have historically exhibited considerable volatility. Nickel prices climbed from as low as US$4.25 per pound in March 2009 to a high of US$13.17 per pound in February 2011. The average LME nickel prices (per pound) in 2007, 2008, 2009, 2010 and 2011 were US$16.82, US$9.55, US$6.67, US$9.89 and US$10.35, respectively. The average LME nickel prices (per pound) for the first half of 2012 is US$8.36 per pound compared to US$11.59 per pound in the same period last year.

The sensitivity of our revenues to LME nickel prices is not completely linear, because, in our experience, when nickel prices reach certain levels, the demand for our limonite ore increases. As a result of this effect, very high nickel prices have, in the past, resulted in increased volumes of nickel ore sold, as well as increased prices for our recurring sales of saprolite ore to PAMCO and SMM and limonite ore to the Coral Bay HPAL facility under long-term contracts. Increases and decreases in the LME nickel price will have a broadly proportional effect on our revenues from these sales.

Volume

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for NPI and pig iron in China. Our sales of high-grade saprolite ore are typically made to our Japanese customers, who purchase all of the high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our low-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our low-grade saprolite ore and limonite ore sales to our Chinese customers is roughly correlated with the LME nickel price, with volume increasing as nickel prices rise. In addition to sales of nickel ore to our customers in Japan and China, we also sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility, in which we have a minority interest. CBNC purchases an amount of limonite ore from us sufficient to meet its ore requirements. The annual capacity of its Coral Bay HPAL facility was originally 10,000 tonnes of contained nickel and was expanded to 20,000 tonnes of contained nickel in the second half of 2009, resulting in a higher volume of limonite ore sales from RTN. In 2011, the Coral Bay HPAL facility was able to attain an annual capacity of 23,000 tonnes as a result of the facility's expansion in 2009 which became fully operational in 2010.

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

<u>Mine Site Cash Cost per Volume Sold</u>
The mine site cash 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 year to year.

The mine site cash cost includes production and shipping and loading costs incurred by the Company in mining, handling and barging ore to customer's vessels, and excludes excise taxes and royalties.

The average mine site cash cost per volume sold in 2012 is ₱529.00 per WMT on the basis of aggregate cash costs of ₱2,665.5 million. This compares to ₱438.25 per WMT during the same period in 2011 on the basis of aggregate cash costs of ₱1,880.6 million.

To augment our operations in 2012 in order to meet the surge in demand for our ore, the Company engaged third party contractors to assist in the hauling and loading of ore. Typically, the unit cost associated with the use of outside services is higher compared to costs incurred when volume handling is done by the Company.

<u>Currency exchange rates</u>
We earn substantially all of our revenues in U.S. dollar while most of our expenses are paid in peso. The appreciation of the peso against the U.S. dollar reduces our revenue in peso terms. Accordingly, appreciation of the peso against the U.S. dollar 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 and other portfolio investments are denominated in U.S. dollar, the appreciation of the peso against the U.S. dollar reduces the value of these assets in peso terms in our financial statements. Our current policy is not to hedge our exposure to foreign currency exchange risk.

The Company's average realized peso-to-dollar rates for the six-month period ended June 30, 2012 and 2011 are ₱42.90 and ₱43.45, respectively.

Liquidity and Capital Resources

As at June 30, 2012 and December 31, 2011, 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, respectively, under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt.

As of June 30, 2012 and December 31, 2011, our working capital, defined as the difference between our current assets and current liabilities, was ₱11.9 billion and ₱12.6 billion, respectively. We expect to meet our working capital, capital expenditure and investment requirements from the cash flow coming from our operations and as well as debt that we have incurred to finance the construction of pier facilities at our Rio Tuba and Taganito properties. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

Qualitative and Quantitative Disclosures about Market Risk

Commodity Price Risk

The price of nickel is subject to fluctuations due to factors such as government policies, changes in global demand and global production of similar and competitive mineral products. We are exposed to commodity price risk based on fluctuations in the price of nickel on the LME. The amounts payable under the contracts that govern our saprolite ore sales to PAMCO and SMM and limonite ore sales to CBNC are based upon payable nickel delivered with the nickel ore. The percentage varies depending on the customer, the ore type and nickel grade. This payable nickel is priced using an average of LME spot prices over a period preceding delivery. In addition, the payable percentage of the nickel contained in the ore is correlated, in a non-linear manner, with LME nickel prices, with higher LME prices tending to result in a higher payable percentage of nickel and vice versa. Accordingly, increases or decreases in the price of nickel on the LME can have a significant effect on our revenues. In addition, although the payments that we receive from sales of saprolite ore and limonite ore to our Chinese customers is not directly correlated with the market price of nickel, high or low nickel prices can increase or decrease their demand for our limonite ore and thus also have an effect on our revenues. To mitigate the impact of such price movements, the Company may opt to enter into commodity put option contracts.

We are also subject to risk with respect to the market price of coking coal and prevailing shipping rates. The production of nickel pig iron (NPI) using limonite ore requires the use of blast furnaces which use large amounts of coking coal. Accordingly, high world-wide demand for coal can result in an increase in the market price of coking coal which can decrease the demand for limonite ore from our Chinese customers. Similarly, during periods when dry bulk shipping rates are relatively high, the increased cost of shipping our saprolite ore or limonite ore to China can make the use of our nickel ore by Chinese customers uneconomical for them which may also result in a reduction of nickel ore sales to our Chinese customers.

Foreign Currency Risk
Our foreign currency risk results primarily from movements of the peso against the U.S. dollar and results primarily from the transaction exposure associated with transactions in currencies other than Peso. Such exposure arises from cash and cash equivalents, AFS financial assets and sales of beneficiated nickel ore denominated in U.S. dollar. Because almost all of our revenues are earned in U.S. dollar while most of our expenses are paid in Peso, appreciation of the peso against the U.S. dollar 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 and AFS financial assets are denominated in U.S. dollar, the appreciation of the peso against the U.S. dollar reduces the value of our total assets 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 investments 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.

Off-balance sheet arrangements
We have not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

PART II – OTHER INFORMATION

There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

PART III – FINANCIAL SOUNDNESS INDICATORS

Please refer to the attached schedule.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

	Six-month period ended June 30	
	2012	2011
Current ratio	6.71	7.43
Debt-to-equity ratio	0.20	0.20
Asset-to equity ratio	1.20	1.20
Interest rate coverage ratio	276.52	461.58
Profitability or net income ratio	0.34	0.52

Where:
Current ratio = Current Assets over Current Liabilities
Debt-to-equity ratio = Total Liabilities over Total Equity
Asset-to-equity ratio = Total Assets over Equity
Interest rate coverage ratio = EBIT over Interest Expense
Net income ratio = Net Income over Net Revenue

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:

Gerard H. Brimo
President and Chief Executive Officer

September 20, 2012

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

September 20, 2012

NICKEL ASIA CORPORATION
SEC FORM 17-Q
INDEX TO FINANCIAL STATEMENTS
JUNE 30, 2012

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NICKEL ASIA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2012
(With Comparative Audited Figures as at December 31, 2011)
(Amounts in Thousands)

	June 30 2012 (Unaudited)	December 31 2011 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱7,961,383	₱10,350,592
Trade and other receivables (Note 5)	2,131,830	1,156,293
Available-for-sale (AFS) financial assets (Note 7)	775,338	660,523
Inventories (Notes 6 and 10)	2,997,309	2,008,003
Other current assets	84,540	59,188
Total Current Assets	13,950,400	14,234,599
Noncurrent Assets		
AFS financial assets (Note 7)	908,550	907,297
Property and equipment (Note 8)	4,926,265	4,216,838
Investment property	49,886	53,637
Investment in an associate (Note 9)	4,155,769	4,371,867
Long-term stock pile inventory - net of current portion (Note 10)	1,239,006	1,357,675
Deferred income tax assets - net	546,944	481,493
Other noncurrent assets (Note 4)	968,063	763,007
Total Noncurrent Assets	12,794,483	12,151,814
TOTAL ASSETS	₱26,744,883	₱26,386,413
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 14)	₱1,546,736	₱1,238,101
Income tax payable	434,809	275,169
Current portion of long-term debt (Note 12)	98,084	124,545
Total Current Liabilities	2,079,629	1,637,815
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 12)	1,541,157	1,643,908
Deferred income tax liabilities - net	541,571	591,069
Deferred rent income	84,521	84,154
Provision for mine rehabilitation and decommissioning (Note 13)	65,235	61,726
Pension liability	83,039	74,932
Total Noncurrent Liabilities	2,315,523	2,455,789
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 14)	678,322	677,116
Additional paid-in capital (Note 14)	8,107,002	8,075,641
Other components of equity:		
Cost of share-based payment plan (Note 15)	74,873	64,308
Net valuation gains on AFS financial assets (Note 7)	33,866	20,889
Share in cumulative translation adjustment (Note 9)	(31,587)	118,251
Asset revaluation surplus	34,355	34,395
Retained earnings	9,122,359	8,920,976
	18,019,190	17,911,576
Non-controlling Interests	4,330,541	4,381,233
Total Equity	22,349,731	22,292,809
TOTAL LIABILITIES AND EQUITY	₱26,744,883	₱26,386,413

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTHS ENDED JUNE 30, 2012 and 2011
(Amounts in Thousands, Except Earnings per Share)

	2012	2011
	(Unaudited)	
REVENUES		
Sale of ore	**₱3,431,368**	₱3,179,199
Services and others	**128,287**	140,198
	3,559,655	3,319,397
COSTS AND EXPENSES		
Cost of sales	**1,194,849**	733,403
Cost of services	**122,057**	55,997
Shipping and loading costs	**366,722**	344,507
Excise taxes and royalties	**231,499**	157,046
General and administrative	**193,631**	137,076
	2,108,758	1,428,029
FINANCE INCOME	**52,035**	51,807
FINANCE EXPENSES	**(5,190)**	(4,022)
OTHER INCOME (CHARGES) – net	**182,915**	399,022
INCOME BEFORE INCOME TAX	**1,680,657**	2,338,175
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**434,132**	374,662
Deferred	**(61,053)**	(10,814)
	373,079	363,848
NET INCOME	**₱1,307,578**	₱1,974,326
Net income attributable to:		
Equity holders of the parent	**₱989,328**	₱1,300,983
Non-controlling interests	**318,250**	673,343
	₱1,307,578	₱1,974,326
Basic earnings per share	**₱0.74**	₱0.97

NICKEL ASIA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2012 and 2011
(Amounts in Thousands, Except Earnings per Share)

	2012	2011
	(Unaudited)	
REVENUES (Note 30)		
Sale of ore	**₱5,072,210**	₱5,162,554
Services and others	**234,224**	211,913
	5,306,434	5,374,467
COSTS AND EXPENSES		
Cost of sales (Note 17)	**1,826,792**	1,437,055
Cost of services (Note 18)	**185,309**	108,554
Shipping and loading costs (Note 19)	**561,022**	441,804
General and administrative (Note 21)	**306,747**	241,987
Excise taxes and royalties (Note 20)	**291,637**	228,825
	3,171,507	2,458,225
FINANCE INCOME (Note 24)	**119,947**	87,172
FINANCE EXPENSES (Note 25)	**(10,962)**	(8,037)
OTHER INCOME - net (Note 26)	**130,337**	402,986
INCOME BEFORE INCOME TAX	**2,374,249**	3,398,363
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)		
Current	**651,675**	648,270
Deferred	**(101,439)**	(33,212)
	550,236	615,058
NET INCOME	**₱1,824,013**	₱2,783,305
Net incomeattributable to:		
Equity holders of the parent	**₱1,274,705**	₱1,728,988
Non-controlling interests	**549,308**	1,054,317
	₱1,824,013	₱2,783,305
Basic and diluted earningsper share (Note 16)	₱0.95	₱1.29

NICKEL ASIA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2012 and 2011
(Amounts in Thousands)

	2012	2011
	(Unaudited)	
NET INCOME	**₱1,824,013**	₱2,783,305
OTHER COMPREHENSIVE INCOME (LOSS)		
Share in translation adjustment of an associate	**(149,838)**	(42,742)
Net valuation gains (loss) on AFS financial assets	**12,977**	(8,377)
Asset revaluation surplus	**(40)**	(191)
TOTAL OTHER COMPREHENSIVE LOSS - NET OF TAX	**(136,901)**	(51,310)
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱1,687,112**	₱2,731,995
Total comprehensive income attributable to:		
Equity holders of the parent	**₱1,137,804**	₱1,677,473
Non-controlling interests	**549,308**	1,054,522
	₱1,687,112	₱2,731,995

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012 and 2011
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Cost of Share based Payment Plan (Note 15)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment of an Associate (Note 9)	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2011	₱677,116	₱8,075,641	₱64,308	₱20,889	₱118,251	₱34,395	₱8,920,976	₱17,911,576	₱4,381,233	₱22,292,809
Net income	–	–	–	–	–	–	1,274,705	1,274,705	549,308	1,824,013
Other comprehensive income (loss)	–	–	–	12,977	(149,838)	(40)	–	(136,901)	–	(136,901)
Total comprehensive income (loss)	–	–	–	12,977	(149,838)	(40)	1,274,705	1,137,804	549,308	1,687,112
Issuance of capital stock (Note 14)	1,206	31,361	–	–	–	–	–	32,567	–	32,567
Cost of share-based payment (Note 15)	–	–	10,565	–	–	–	–	10,565	–	10,565
Cash dividends - ₱0.80 per share (Note 14)	–	–	–	–	–	–	(1,073,362)	(1,073,362)	–	(1,073,362)
Share of non-controlling interests in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	(600,000)	(600,000)
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	40	40	–	40
Balances at June 30, 2012 (Unaudited)	₱678,322	₱8,107,002	₱74,873	₱33,866	(₱31,587)	₱34,355	₱9,122,359	₱18,019,190	₱4,330,541	₱22,349,731

- 2 –

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Cost of Share based Payment Plan (Note 15)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment of an Associate (Note 9)	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2010	₱677,116	₱8,075,641	₱1,101	₱37,589	₱120,411	₱34,778	₱5,987,024	₱14,933,660	₱3,141,889	₱18,075,549
Fair value adjustments	–	–	–	–	–	–	68,019	68,019	–	68,019
Balances at December 31, 2010, as restated	677,116	8,075,641	1,101	37,589	120,411	34,778	6,055,043	15,001,679	3,141,889	18,143,568
Net income	–	–	–	–	–	–	1,728,988	1,728,988	1,054,317	2,783,305
Other comprehensive income (loss)	–	–	–	(8,582)	(42,742)	(191)	–	(51,515)	205	(51,310)
Total comprehensive income (loss)	–	–	–	(8,582)	(42,742)	(191)	1,728,988	1,677,473	1,054,522	2,731,995
Cost of share-based payment (Note 15)	–	–	29,690	–	–	–	–	29,690	–	29,690
Cash dividends - ₱0.50 per share (Note 14)	–	–	–	–	–	–	(469,445)	(469,445)	–	(469,445)
Share of non-controlling interests in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	(757,500)	(757,500)
Share of non-controlling interests in a subsidiary	–	–	–	–	–	–	–	–	673	673
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	191	191	–	191
Balances at June 30, 2011 (Unaudited)	₱677,116	₱8,075,641	₱30,791	₱29,007	₱77,669	₱34,587	₱7,314,777	₱16,239,588	₱16,239,588	₱19,679,172

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 and 2011
(Amounts in Thousands)

	2012	2011
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,374,249**	₱3,398,363
Adjustments for:		
Depreciation and depletion (Note 23)	**431,696**	337,412
Dividend income (Note 26)	**(192,368)**	(439,663)
Interest income (Note 24)	**(119,647)**	(83,103)
Unrealized foreign exchange losses (gains) - net	**(68,445)**	(19,131)
Equity in net losses of an associate (Note 9)	**49,612**	19,564
Cost of share-based payment plan (Note 15)	**10,565**	29,690
Movements in pension liability	**8,107**	5,769
Interest expense (Note 12)	**5,108**	12,483
Accretion interest on provision for mine rehabilitation and decommissioning(Notes 13 and 25)	**3,509**	3,376
Loss (gain) on:		
Valuation on AFS financial assets transferred from equity to profit or loss - net (Notes 7, 24 and 25)	**300**	(4,069)
Bargain purchase	**–**	(70,040)
Operating income before working capital changes	**2,502,686**	3,190,651
Increase in:		
Trade and other receivables	**(980,815)**	(508,807)
Inventories	**(870,637)**	(53,509)
Other current assets	**(25,352)**	(103,763)
Trade and other payables	**317,465**	128,848
Net cash generated from operations	**943,347**	2,653,420
Income taxes paid	**(492,034)**	(596,020)
Interest received	**124,924**	77,064
Interest paid	**(5,432)**	(9,899)
Net cash flows from operating activities	**570,805**	2,124,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 8)	**(1,140,188)**	(748,362)
AFS financial assets	**(128,246)**	(666,544)
Held-to-maturity investments	**(80,000)**	–
Dividends received	**192,368**	439,663
Proceeds from:		
Sale of AFS financial assets	**50,607**	380,050
Sale of property and equipment	**231**	–
Increase in deferred rent income	**367**	–
Decrease (increase) in other noncurrent assets	**(153,534)**	179,550
Net cash flows used in investing activities	**(1,258,395)**	(415,643)

(Forward)

	2012	2011
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(1,673,418)**	(1,226,945)
Long-term debt	**(60,768)**	(23,833)
Proceeds from:		
Issuance of capital stock	**32,567**	–
Availment of long-term debt (Note 12)	**–**	308,142
Subscription of non-controlling interest on capital stock of a subsidiary	**–**	673
Net cash flows used in financing activities	**(1,701,619)**	(941,963)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,389,209)**	766,959
CASH AND CASH EQUIVALENTS AT JANUARY 1	**10,350,592**	6,805,968
CASH AND CASH EQUIVALENTS AT JUNE 30 (Note 4)	**₱7,961,383**	₱7,572,927

See accompanying Notes to Consolidated Financial Statements.

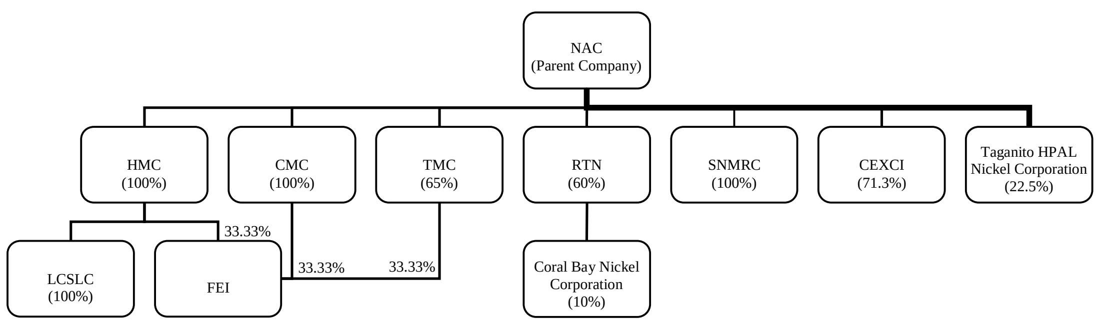
NICKEL ASIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

1. **Corporate Information**

Nickel Asia Corporation (the Company, the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 2008. The 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.

The Company's common shares are listed with the Philippine Stock Exchange on November 22, 2010.

Parent Company Ownership Map



The Subsidiaries

Hinatuan Mining Corporation (HMC)

HMC was registered with the SEC on October 9, 1979, is a one hundred percent (100%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Hinatuan, Surigao del Norte and Manicani Island Samar. The registered office address of HMC is 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

Cagdianao Mining Corporation (CMC)

CMC was registered with the SEC on July 25, 1997, is a one hundred percent (100%) owned subsidiary of the 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. The registered office address of CMC is 4th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines.

Taganito Mining Corporation (TMC)

TMC was registered with the SEC on March 4, 1987, is a sixty-five percent (65%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. The registered office address of TMC is 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

Rio Tuba Nickel Mining Corporation (RTN)
RTN was registered with the SEC on July 15, 1965, is a sixty percent (60%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting nickel ore and providing non-mining services located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The registered office address of RTN is 2ndFloor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines.

Falck Exp Inc. (FEI)
FEI was registered with the SEC on November 22, 2005, is an eighty-eight percent (88%) owned subsidiary of the Company through HMC, CMC and 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. FEI is dormant until the Company decides to resume its operations. The registered office address of FEI is 3rd Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines.

La Costa Shipping and Lighterage Corporation (LCSLC)
LCSLC was registered with the SEC on October 23, 1992, is a one hundred percent (100%) owned subsidiary of the Company through HMC, and is primarily engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. The registered office address of LCSLC is 4th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines. LCSLC was acquired by HMC in April 2010.

Samar Nickel Mining Resources Corporation. (SNMRC)
SNMRC was registered with the SEC on May 11, 2010, is a one hundred percent (100%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations. The registered office address of SNMRC is 4th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines.

Cordillera Exploration Co., Inc. (CEXCI)
CEXCI was registered with the SEC on October 19, 1994, is a seventy-one percent (71%) owned subsidiary of the 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. The registered office address of CEXCI is 7th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines.

The Parent Company's registered office address is 6th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City.

The interim consolidated financial statements as at June 30, 2012 and December 31, 2011 and for the six-month period ended June 30, 2012 and 2011, were authorized for issuance by the Parent Company's Board of Directors (BOD) on August 6, 2012.

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, 2012 and for the six-month period ended June 30, 2012 and 2011 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, 2011.

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

	Country of Domicile	Nature of Business	Effective Ownership
HMC	Philippines	Mining	100%
CMC	Philippines	Mining	100%
SNMRC	Philippines	Mining	100%
CEXCI	Philippines	Mining	71%
LCSLC*	Philippines	Services	100%
FEI*	Philippines	Mining	88%
TMC	Philippines	Mining and Services	65%
RTN	Philippines	Mining and Services	60%

*Direct and indirect ownership

Subsidiaries
Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally has an interest of more than one half of the voting rights of the entities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the Subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Non-controlling Interest
Non-controlling interest represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income is attributed to the equity holders

of the Parent Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group. Transactions with non-controlling interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- 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 profit or loss; and
- Reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

<u>Changes in Accounting Policies</u>
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, 2011, except for the adoption of new standards and interpretations as of January 1, 2012, noted below:

PAS 12, *Income Taxes (Amendment)* - *Deferred Taxes: Recovery of Underlying Assets*
The amendment becomes effective for annual periods beginning on or after January 1, 2012. The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale. The revised standard does not have a significant impact on the financial position or performance of the Group.

The following amendments to Philippine Financial Reporting Standards (PFRS) did not have any impact on the accounting policies, financial position or performance of the Group:

PFRS 7, *Financial Instruments: Disclosures (Amendments)* - *Transfers of Financial Assets*
The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

PFRS 1, *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*
When an entity's date of transition to PFRS is on or after the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date, at fair value on the date of transition to PFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening PFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after July 1, 2011 with early adoption permitted.

<u>Future Changes in Accounting Policies</u>
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. Implementation of this interpretation has been deferred until the final *Revenue Standard* is issued by the International Accounting Standards Board and after an evaluation on the requirements and guidance in the said standard vis-a vis the practices and regulations in the Philippine real estate industry is completed.

Effective in 2013:

- PAS 1, *Presentation of Financial Statements (Amendments) - Presentation of Items of Other Comprehensive Income*
  The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in other comprehensive income, nor do they impact the determination of whether items of other comprehensive income are classified through profit or loss in the future periods. The amendments will be applied retrospectively.

- PAS 19, *Employee Benefits (Revised)*
  The revised standard is effective for annual periods beginning on or after January 1, 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The significant changes include immediate recognition of actuarial gains or losses for defined benefit plans in other comprehensive income when they occur, new disclosure requirements including qualitative information of sensitivity of the defined benefit obligation, recognition of termination benefits and distinction between short-term and long-term employee benefits. The revised standard will be applied retrospectively. This standard will have an impact in the financial statements of the Group.

- PAS 27, *Separate Financial Statements (Amendments)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Amendments)*
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
  The amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;

d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12, *Consolidation - Special Purpose Entities*, resulting to SIC being withdrawn. It does not change the consolidation procedures. Rather, it changes whether an entity is consolidated by revising the definition of control. It also provides a number of clarifications in applying this new definition. The new standard will be applied retrospectively.

- PFRS 11, *Joint Arrangements*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 introduces the definition of "joint control", for which the reference to "control" in "joint control" refers to the definition of "control" in PFRS 10. It also changes the accounting for joint arrangements by moving from three categories under PAS 31 to two categories, either joint operation or joint venture. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either joint operation or a joint venture. Further, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances. In addition, PAS 28, *Investment in Associates*, was amended to include the application of the equity method to investments in joint ventures. PFRS 11 will be applied using modified retrospective approach.

- PFRS 12, *Disclosure of Interests in Other Entities*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. The objective of the new disclosure requirements is to help the users of the financial statements to understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and the nature of, and the risks associated with, the entity's interest in other entities. It also includes more extensive qualitative and quantitative disclosures. PFRS 12 will be applied retrospectively.

- PFRS 13, *Fair Value Measurement*
This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by PFRS.

  Under PFRS 13, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Fair value as used in PFRS 2, *Share-based Payments*, and PAS 17, *Leases* is excluded from the scope of PFRS 13. The standard also provides clarification on a number of areas. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurements on profit or loss.

  PFRS 13 is applied prospectively. Early application is permitted and must be disclosed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation becomes effective for annual periods beginning on or after January 1, 2013 and applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
The amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*
This standard is effective for annual periods beginning on or after January 1, 2015. It introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments: Recognition and Measurement*. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard

also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.

After consideration of the result of its impact evaluation using the outstanding balances of financial statements as of December 31, 2011, the Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 reporting. The Group will, however, continue to evaluate the impact of the standard in our financial statements for the year 2012.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Cash on hand and with banks	**₱2,225,231**	₱1,135,838
Short-term cash investments	**5,736,152**	9,214,754
	₱7,961,383	₱10,350,592

Cash with banks amounting to ₱126.7 million and ₱125.6 million as at June 30, 2012 and December 31, 2011, respectively, representing proceeds from the Initial Public Offering, were deposited in escrow and are restricted as to withdrawal for specified purpose and thus, classified as "Other noncurrent assets".

5. Trade and Other Receivables

Receivables amounting to ₱212.0 million and ₱226.2 million as at June 30, 2012 and December 31, 2011, respectively, were impaired and fully provided for with allowance for impairment losses. Provision for impairment losses on trade and other receivables recognized for the six-month period ended June 30, 2012 and 2011 amounted to ₱2.3 million and ₱0.7 million, respectively.

The aging analysis of the Group's trade and other receivables as at June 30, 2012 and December 31, 2011 are summarized in the following tables:

June 30, 2012 (Unaudited)	**Neither Past Due Nor Impaired (High)**	**Past Due But Not Impaired (30-180 days)**	**Past Due and Individually Impaired**	**Total**
Trade and other receivables:				
Trade	**₱1,152,052**	**₱115,383**	**₱209,935**	**₱1,477,370**
Receivable from CBNC	**92,180**	**193,095**	**–**	**285,275**
Amounts owed by related parties	**13,723**	**–**	**–**	**13,723**
Dividends receivable	**191,880**	**–**	**–**	**191,880**
Others	**270,669**	**102,847**	**2,066**	**375,582**
Total	**₱1,720,504**	**₱411,325**	**₱212,001**	**₱2,343,830**

December 31, 2011 (Audited)	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Trade and other receivables:				
Trade	₱253,469	₱259,257	₱223,125	₱735,851
Receivable from CBNC	204,117	156,771	–	360,888
Amounts owed by related parties	5,435	–	–	5,435
Others	275,146	2,098	3,082	280,326
Total	₱738,167	₱418,126	₱226,207	₱1,382,500

6. Inventories

As at June 30, 2012 and December 31, 2011, inventories amounting to ₱403.5 million were assessed to be impaired and were provided for with allowance. No provision for inventory losses were recognized for the six-month period ended June 30, 2012 and 2011.

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱776.0 million and ₱700.2 million as at June 30, 2012 and December 31, 2011, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱1,037.7 million and ₱447.8 million as at June 30, 2012 and December 31, 2011, respectively.

7. AFS Financial Assets

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, golf club shares and debt securities.

During the six-month period ended June 30, 2012 and 2011, the Group acquired various AFS investments amounting to ₱128.2 million and ₱666.5 million, respectively and disposed AFS investments amounting to ₱50.9 million and ₱376.0 million, respectively.

Dividend income earned from AFS financial assets amounted to ₱0.5 million and ₱0.4 million for the six-month period ended June 30, 2012 and 2011, respectively.

8. **Property and Equipment**

During the six-month period ended June 30, 2012 and 2011, the Group acquired assets with a cost of ₱1,140.2 million and ₱748.4 million, respectively, including construction in-progress.

Borrowing costs amounting to nil and ₱12.9 million for the six-month period ended June 30, 2012 and 2011, respectively, were capitalized as part of construction in-progress.

Pier facilities (included under “Buildings and Improvements”) with a carrying value of ₱219.4 million and ₱243.2 million as at June 30, 2012 and December 31, 2011, respectively, were mortgaged as collateral for the long-term debt of RTN mentioned in Note 12.

Depreciation expense for the six-month period ended June 30, 2012 and 2011 amounted to ₱427.9 million and ₱333.9 million, respectively (see Note 23).

9. **Investment in an Associate**

The investment in an associate pertains to the Parent Company’s 22.5% interest in Taganito HPAL Nickel Corporation (THNC) with an acquisition cost of ₱4,443.1 million.

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. Its principal activities, once operational, consist of the manufacture and export of nickel/cobalt mixed sulfide. THNC is currently undertaking construction and has not yet started commercial operations as at June 30, 2012.

The net assets and net loss of THNC amounted to ₱18.0 billion and ₱220.5 million, respectively, as at June 30, 2012, and ₱19.5 billion and ₱86.9 million, respectively, as at June 30, 2011. The Parent Company’s share in cumulative translation adjustment amounted to ₱149.8 million and ₱42.7 million for the period ended June 30, 2012 and 2011, respectively, and equity in net losses amounted to ₱49.6 million and ₱19.6 million for the period ended June 30, 2012 and 2011, respectively.

10. **Long-term Stock Pile Inventory**

The long-term stock pile 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. The low grade ore inventory was initially recognized and valued at fair value. The fair value of the inventory as at the date of acquisition amounted to ₱2,036.7 million. Subsequently, this fair value represented the cost of the long-term stock pile inventory.

In 2011, the Parent Company performed a re-estimation of the future cash flows from the sale of the long-term stockpile inventories. As a result, a write-up in the carrying value of the long-term stockpile amounting to ₱573.1 million was recognized.

A portion amounting to ₱194.6 million and ₱180.4 million representing the estimated future cash flows from the low grade ore inventory that will be delivered to CBNC in the next accounting period was shown as part of "Inventories" as at June 30, 2012 and December 31, 2011, respectively, and ₱104.4 million and ₱71.6 million as part of "Cost of sales" for the period ended June 30, 2012 and 2011, respectively (see Note 17).

The carrying value of long-term stock pile - net of current portion amounted to ₱1,239.0 million and ₱1,357.7 million as at June 30, 2012 and December 31, 2011, respectively.

11. **Trade and Other Payables**

Trade and other payables include amounts payable to regular suppliers, accrued expenses, excise, withholding and other taxes payable and other payables. Trade, accrued expenses and other payables are noninterest-bearing and are generally settled in less than thirty (30) days' term. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Withholding taxes are payable ten (10) days after the end of each month. Output tax is derived from other revenues which can be offset against input tax.

12. **Long-term Debt**

	June 30, 2012	December 31, 2011
	(Unaudited)	(Audited)
TMC	**₱1,400,490**	₱1,496,040
RTN	**238,751**	272,413
	1,639,241	1,768,453
Less current portion:		
TMC	**75,110**	76,720
RTN	**22,974**	47,825
	98,084	124,545
	₱1,541,157	₱1,643,908

<u>TMC Loan</u>
On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to $35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate plus two percent (2%) spread, to finance the construction of the Pier Facilities. The loan shall be drawn down in one or multiple times by July 31, 2011. As at June 30, 2012, TMC's total loan drawn down amounted to $34.1 million, with peso equivalent of ₱1,496.0 million.

Starting 2011, the interest on the loans is payable semi-annually on October 10 and April 10. The total principal is payable in semi-annual installments of $875,000, starting on October 10, 2011 up to April 10, 2031.

For the six-month period ended June 30, 2012 and 2011, the interest expense which formed part of "Finance expense" amounted to ₱1.9 million and nil, respectively (see Notes 18 and 25). Borrowing costs capitalized as part of cost of construction in-progress amounted to nil and ₱12.9 million for the six-month period ended June 30, 2012 and 2011, respectively (see Note 8).

TMC settled ₱36.9 million (US$0.9 million) of long-term debt which became due in April 2012.

RTN Loan
RTN settled ₱23.9 million (US$0.5 million) of long-term debt which became due in February 2012.

Interest expense amounted to ₱3.2 million and ₱4.0 million for the six-month period ended June 30, 2012 and 2011, respectively (see Note 25).

13. **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-month period ended June 30, 2012 and 2011, accretion expense amounted to ₱3.5 million and ₱3.4 million, respectively (see Note 25).

14. **Equity**

Capital Stock
The capital structure of the Parent Company as at June 30, 2012 and December 31, 2011 follows:

	June 30, 2012	**December 31, 2011**
Common Stock - ₱0.5 par value		
Authorized - 1,585,600,000 shares		
Subscribed and issued -1,342,244,178 shares in 2012 and 1,339,831,828 shares in 2011	**₱671,122**	**₱669,916**
Preferred Stock - ₱0.01 par value		
Authorized - 720,000,000 shares		
Subscribed and issued - 720,000,000 shares in 2012 and 2011	**7,200**	**7,200**
Total	**₱678,322**	**₱677,116**

Movements in common stock follow:

	Number of shares	Total
Balances at December 31, 2011	1,339,831,828	₱669,916
Issuance of capital stock	2,412,350	1,206
Total	1,342,244,178	₱671,122

Dividends
On March 28, 2012, the Parent Company's BOD declared cash dividends amounting to ₱1,073.4 million, equivalent to ₱0.80 per share to stockholders of record as at April 16, 2012. The dividends were paid on May 11, 2012.

On the same date, the Parent Company's BOD authorized and approved the declaration of fifty percent (50%) stock dividends to stockholders of record to be set by the SEC after the approval of the increase in authorized capital stock of the Parent Company by the SEC. On August 10, 2012, the SEC approved the increase in the Company's authorized capital stock and stock dividends (see Note 31).

On October 25, 2011, the Parent Company's BOD declared a special cash dividends amounting to ₱201.0 million, equivalent to ₱0.15 per share to stockholders of record as at November 11, 2011 which were paid on December 8, 2011.

On March 25, 2011, the Parent Company's BOD declared cash dividends amounting to ₱468.9 million or ₱0.35 per share to stockholders of record as at April 11, 2011. The dividends were paid on May 9, 2011.

As at June 30, 2012, a total of 439,047,964 or 32.7% of the outstanding common shares of the company are registered in the name of 31 shareholders, while the balance of 903,196,214 common shares or 67.3% are lodged with the Philippine Central Depository, Inc.

15. Executive Stock Option Plan (ESOP)

On June 16, 2010, the BOD and stockholders of the Parent Company approved the ESOP (the Plan). On December 20, 2010, the Plan was approved by the SEC.

The basic terms and conditions of the ESOP are:

1. The ESOP covers up to 12.0 million shares allocated to 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 a position of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱13.50.
4. The grant date of the Plan is January 3, 2011 as determined by the Stock Option Committee.
5. The term of the Plan shall be six (6) years and the shares will vest to the participant at the rate of twenty five percent (25%) per year after the first year of the Plan or December 21, 2011.
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 stock option agreement was made and executed on January 31, 2011 between the Parent Company and the option grantees.

The fair value of the stock options was estimated as at grant date, January 3, 2011, using the BlackScholes-Merton model, taking into account the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the stock options at effective grant date:

Grant Date	January 3, 2011
Spot price per share	₱15.0
Exercise price	₱13.5
Expected volatility	60.34%
Option life	3.967 years
Dividend yield	2.06%
Risk-free rate	4.50%

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.

	Number of shares
Outstanding at December 31, 2011	12,000,000
Less exercised during the period	2,412,350
Outstanding at June 30, 2012	9,587,650
Exercisable as at June 30, 2012	514,317

Cost of share-based payments amounted to ₱10.6 million and ₱29.7 million for the six-month period ended June 30, 2012 and 2011, respectively (see Note 22).

16. **Basic Earnings Per Share**

Basic earnings per common share (EPS) were computed as follows:

	June 30, 2012	June 30, 2011
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	**₱1,274,705**	₱1,728, 988
b. Weighted average number of common shares issued and outstanding (in thousands)	**1,340,918**	1,339,832
Basic EPS (a/b)	**₱0.95**	₱1.29

Diluted EPS were computed as follows:

	June 30, 2012	June 30, 2011
	(Unaudited)	
c. Net income attributable to equity holders of the Parent	**₱1,274,705**	₱1,728, 988
d. Weighted average number of common shares issued and outstanding (in thousands)	**1,340,992**	1,339,832
Diluted EPS (a/b)	**₱0.95**	₱1.29

17. **Cost of Sales**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Production overhead	**₱936,162**	₱608,784
Outside services	**563,443**	371,383
Personnel costs (see Note 22)	**338,883**	262,367
Depreciation and depletion (see Note 23)	**254,415**	197,273
Long-term stockpile inventory sold (see Note 10)	**104,436**	71,592
	2,197,339	1,511,399
Net changes in beneficiated nickel ore and limestone ore	**(370,547)**	(74,344)
	₱1,826,792	₱1,437,055

Outside services pertain to services offered by the contractors related to the mining activities of the Group. These services include, but not limited to, hauling, stevedoring, janitorial, maintenance, security and equipment rental.

18. **Cost of Services**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Depreciation and depletion (see Note 23)	**₱72,742**	₱38,248
Outside services	**44,527**	13,318
Equipment operating costs	**39,155**	26,662
Personnel costs (see Note 22)	**17,809**	22,398
Overhead	**11,076**	7,928
	₱185,309	₱108,554

19. **Shipping and Loading Costs**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Contract fees	**₱320,797**	₱248,553
Fuel, oil and lubricants	**76,786**	63,614
Personnel costs (see Note 22)	**57,839**	37,751
Materials and supplies	**43,867**	29,021
Depreciation and depletion (see Note 23)	**35,647**	32,613
Other services and fees	**26,086**	30,252
	₱561,022	₱441,804

20. **Excise Taxes and Royalties**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Royalties	**₱190,193**	₱125,574
Excise taxes	**101,444**	103,251
	₱291,637	₱228,825

21. **General and Administrative Expenses**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Personnel costs (see Note 22)	**₱102,871**	₱107,604
Guarantee fee (see Note 27)	**43,288**	900
Depreciation and depletion (see Note 23)	**40,017**	42,274
Taxes and licenses	**28,915**	17,376
Commission	**17,086**	5,964
Professional fees	**12,901**	14,165
Outside services	**8,779**	4,530
Communications, light and water	**6,317**	5,021
Transportation and travel	**5,730**	7,025
Entertainment, amusement and recreation	**4,802**	6,764
Repairs and maintenance	**3,696**	5,201
Community relations	**956**	5,041
Others	**31,389**	20,122
	₱306,747	₱241,987

Other general and administrative expenses include materials and supplies used, bank charges and insurance expense.

22. **Personnel Costs**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Salaries, wages and employee benefits	**₱506,837**	₱400,430
Cost of share-based payment plan (see Note 15)	**10,565**	29,690
	₱517,402	₱430,120

The amounts of personnel costs are distributed as follows:

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Cost of sales (see Note 17)	**₱338,883**	₱262,367
General and administrative (see Note 21)	**102,871**	107,604
Shipping and loading costs (see Note 19)	**57,839**	37,751
Cost of services (see Note 18)	**17,809**	22,398
	₱517,402	₱430,120

23. **Depreciation and Depletion**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Property and equipment (see Note 8)	**₱427,946**	₱333,907
Investment property	**3,750**	3,505
	₱431,696	₱337,412

The amounts of depreciation and depletion expense are distributed as follows:

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Cost of sales (see Note 17)	**₱254,415**	₱197,273
Cost of services (see Note 18)	**72,742**	38,248
General and administrative (see Note 21)	**40,017**	42,274
Shipping and loading costs (see Note 19)	**35,647**	32,613
Others	**28,875**	27,004
	₱431,696	₱337,412

24. **Finance Income**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Interest income	**₱119,647**	₱83,103
Gain on transfer from equity to profit or loss of AFS financial assets (see Note 7)	**300**	4,069
	₱119,947	₱87,172

25. **Finance Expenses**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Interest expense (see Note 12)	**₱5,108**	₱4,002
Accretion interest on mine rehabilitation and decommissioning (see Note 13)	**3,509**	3,376
Provision for impairment losses on trade and other receivables - net (see Note 5)	**2,345**	659
	₱10,962	₱8,037

26. **Other Income (Charges)**

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Dividend income	**₱192,368**	₱439,663
Foreign exchange losses - net	**(99,679)**	(37,512)
Equity in net losses of an associate (see Note 9)	**(49,612)**	(19,564)
Despatch (demurrage)	**21,814**	(56,724)
Issuance of fuel, oil and lubricants	**14,727**	6,298
Other services	**5,281**	4,060
Gain on bargain purchase	**–**	70,040
Others	**45,438**	(3,275)
	₱130,337	₱402,986

27. Related Party Transactions

Set out below are the Group's transactions with related parties for the six-month period ended June 30, 2012 and 2011, including the corresponding assets and liabilities arising from the said transactions as at June 30, 2012 (Unaudited) and December 31, 2011 (Audited):

For the six-month period ended June 30, 2012 and 2011:

Related Party	Relationship with Related Parties		Sale of Ore	Sale of Services and Others
Pacific Metals Co., Ltd. (PAMCO)	Stockholder	**2012**	**₱888,154**	**₱–**
		2011	₱970,831	₱–
Sumitomo Metal Mining Co. Inc.	Stockholder	**2012**	**195,582**	**–**
		2011	175,789	–
Coral Bay Nickel Corporation (CBNC)	Affiliate	**2012**	**744,689**	**161,531**
		2011	1,125,082	136,933
THNC	Associate	**2012**	**–**	**63,303**
		2011	–	45,458
Totals		**2012**	**₱1,828,425**	**₱224,834**
Totals		2011	₱2,271,702	₱182,391

As at June 30, 2012 and December 31, 2011:

Related Party	Relationship with Related Parties		Trade and Other Receivables	Amounts Owed by Related Parties	Deferred Rent
CBNC	Affiliate	**2012**	**₱369,435**	**₱–**	**₱–**
		2011	₱360,888	–	–
THNC	Associate	**2012**	**–**	**13,723**	**84,521**
		2011	32,083	5,360	84,154
PAMCO	Stockholder	**2012**	**450,456**	**–**	**–**
		2011	83,147	75	–
Totals		**2012**	**₱819,891**	**₱13,723**	**₱84,521**
Totals		2011	₱476,118	₱5,435	₱84,154

Terms and Conditions of Transactions with Related Parties
All sales and purchases from related parties are made at prevailing market prices. Outstanding balances as at June 30, 2012 and December 31, 2011 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 president. The short-term benefits of key management personnel of the Group for the six-month period ended June 30, 2012 and 2011 amounted to about ₱55.5 million and ₱49.2 million, respectively.

28. Income Taxes

The provision for current income tax shown in the interim consolidated statements of income includes:

	For the six-month period ended June 30	
	2012	2011
	(Unaudited)	
Current	**₱651,675**	₱648,270
Deferred	**(101,439)**	(33,212)
	₱550,236	₱615,058

29. Financial Instruments

Fair Value Information and Categories of Financial Instruments
Set out below is a comparison of the fair values of all the Group's financial instruments that are carried in the consolidated financial statements.

	Fair Values	
	June 30, 2012	December 31, 2011
FINANCIAL ASSETS		
Loans and Receivables		
Cash and cash equivalents	**₱7,961,383**	₱10,350,592
Cash on hand and with banks	2,225,231	1,135,838
Short-term cash investments	5,736,152	9,214,754
Trade and other receivables	**2,131,830**	1,156,293
Trade	1,267,435	512,726
Receivable from CBNC	285,276	360,888
Amounts owed by related parties	13,723	51,637
Dividends receivable	191,880	–
Others	373,516	231,042
Other noncurrent assets	**155,675**	158,359
Cash held in escrow	126,700	125,598
Mine rehabilitation fund	28,975	32,761
	₱10,248,888	₱11,665,244

(Forward)

	Fair Values	
	June 30, 2012	December 31, 2011
AFS Financial Assets	**₱1,683,888**	₱1,567,820
Quoted equity securities	752,181	381,458
Quoted debt security	77,540	331,977
Unquoted equity securities	854,167	854,385
Held-to-Maturity Investments	**80,000**	–
	₱12,012,776	₱13,233,064
FINANCIAL LIABILITIES		
Other Financial Liabilities		
Trade and other payables	**₱1,304,633**	₱1,117,170
Trade	485,044	408,272
Accrued expenses	532,401	492,147
Others	287,188	216,751
Long-term debt	**1,639,241**	1,647,550
	₱2,943,874	₱2,764,720

Fair Value Hierarchy of Financial Instruments
All financial instruments carried at fair value are categorized in three categories, defined as follows:

Level 1: Quoted market prices
Level 2: Valuation techniques (market observable)
Level 3: Valuation techniques (non-market observable)

As at June 30, 2012 and December 31, 2011, the Group's AFS financial assets are classified under Level 1.

As at June 30, 2012 and December 31, 2011, 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.

30. **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, limonite ore and limestone ore.

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

Financial information on the operation of the various business segments are as follows:

	June 30, 2012 (Unaudited)						
	Mining				Services and Others		
	HMC	CMC	TMC	RTN	RTN/LCSLC/TMC	Others	Total
Revenues	1,123,221	370,957	1,383,753	2,194,279	225,918	8,306	5,306,434
Cost of sales	224,038	132,391	434,674	1,035,689	-	-	1,826,792
Cost of services	-	-	-	-	185,309	-	185,309
Shipping and loading costs	129,549	69,077	183,981	178,415	-	-	561,022
Excise taxes and royalties	78,625	58,426	110,700	43,886	-	-	291,637
Segment operating earnings	691,009	111,063	654,398	936,289	40,609	8,306	2,441,674
General and administrative	31,610	36,209	47,635	30,431	2,333	158,529	306,747
Provision for (benefit from) income tax	187,574	16,697	170,166	224,062	(1,426)	(46,837)	550,236
Net income (loss) attributable to equity							
holders of the parent	489,463	52,073	326,804	604,230	(76,988)	(120,877)	1,274,705
Segment assets	440,493	453,073	3,834,189	7,841,075	198,708	13,430,401	26,197,939
Deferred income tax assets - net	161,435	89,325	22,913	-	4,445	268,826	546,944
Total assets	601,928	542,398	3,857,102	7,841,075	203,153	13,699,227	26,744,883
Segment liabilities	458,678	350,761	2,074,998	949,158	9,188	10,798	3,853,581
Deferred income tax liabilities - net	-	-	-	508,970	36,110	(3,509)	541,571
Total liabilities	458,678	350,761	2,074,998	1,458,128	45,298	7,289	4,395,152
Capital expenditures	152,778	132,278	566,322	248,974	21,614	18,222	1,140,188
Depreciation and depletion	25,830	42,968	139,324	167,357	25,344	30,873	431,696

	December 31, 2011 (Audited)						
	Mining				Services and Others		
	HMC	CMC	TMC	RTN	RTN/LCSLC/ TMC	Others	Total
Segment assets	1,575,261	1,471,363	4,942,039	6,986,586	135,747	10,793,924	25,904,920
Deferred income tax assets - net	155,312	89,325	5,541	-	4,445	226,870	481,493
Total assets	1,730,574	1,560,688	4,947,580	6,986,586	140,192	11,020,794	26,386,413
Segment liabilities	320,667	353,637	1,915,730	925,650	112,471	(125,620)	3,502,535
Deferred income tax liabilities - net	-	-	-	5,444	-	585,625	591,069
Total liabilities	320,667	353,637	1,915,730	931,094	112,471	460,005	4,093,604
Capital expenditures	117,134	74,750	805,329	223,437	50,359	20,263	1,291,272
Depreciation and depletion	37,470	86,505	231,138	263,550	15,319	99,839	733,821

	June 30, 2011 (Unaudited)						
	Mining				Services and Others		
	HMC	CMC	TMC	RTN	RTN/LCSLC	Others	Total
Revenues	524,306	225,756	1,138,613	3,273,879	204,541	7,372	5,374,467
Cost of sales	200,205	63,751	326,767	846,332	-	-	1,437,055
Cost of services	-	-	-	-	104,686	3,868	108,554
Shipping and loading costs	201,608	15,413	86,369	138,414	-	-	441,804
Excise taxes and royalties	36,701	35,557	91,089	65,478	-	-	228,825
Segment operating earnings	85,792	111,035	634,388	2,223,655	99,855	3,504	3,158,229
General and administrative	30,851	31,517	57,416	39,186	7,440	75,577	241,987
Provision for (benefit from) income tax	-	24,396	166,743	466,651	189	(42,921)	615,058
Net income (loss) attributable to equity							
holders of the parent	(6,516)	56,119	285,827	1,393,596	(3,952)	3,914	1,728,988
Segment assets	1,257,964	1,156,023	4,513,615	5,635,170	123,987	10,390,747	23,077,506
Deferred income tax assets - net	150,886	47,168	32,022	-	4,445	204,124	438,645
Total assets	1,408,850	1,203,191	4,545,637	5,635,170	128,432	10,594,871	23,516,151
Segment liabilities	302,132	240,337	2,001,404	967,206	108,926	(159,313)	3,460,692
Deferred income tax liabilities - net	1,073	-	9,482	384,942	-	48,809	444,306
Total liabilities	303,205	240,337	2,010,886	1,352,148	108,926	(110,504)	3,904,998
Capital expenditures	27,264	31,334	601,436	32,928	48,038	7,362	748,362
Depreciation and depletion	16,062	44,630	96,783	135,028	10,886	34,023	337,412

The Group has revenues from external customers as follows:

	For the six-month period ended June 30	
Country of Domicile	**2012**	2011
	(Unaudited)	
China	**₱3,209,236**	₱3,066,641
Japan	**1,118,284**	970,831
Local	**978,914**	1,336,995
	₱5,306,434	₱5,374,467

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

Revenue from two customers amounted to ₱1.9 billion and ₱2.1 billion for the six-month period ended June 30, 2012 and 2011, respectively, arising from sale of ores.

The Group has non-current assets consisting of property and equipment and investment property located in the Parent Company's country of domicile amounting to ₱4,948.7 million and ₱4,270.5 million as at June 30, 2012 and December 31, 2011, respectively.

31. **Event After the Reporting Period**

On August 10, 2012, the SEC approved the Company's increase in authorized capital stock from ₱800.0 million to ₱2,139.7 million, supported by a 50% stock dividend to shareholders of record as of August 29, 2012 which is payable on September 24, 2012.