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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	NICKEL ASIA CORPORATION
Industry Classification	Nickel Ore Mining
Company Type	Stock Corporation

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NICKEL ASIA CORP.

August 8, 2014

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

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

Re : SEC Form 17-Q 2014 2nd Quarter Report
x ==x

Dear Madam:

We submit to you herewith a copy of our Company's SEC Form 17-Q Quarterly Report for the period ended June 30, 2014.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP - Chief Financial Officer

28th Floor NAC Tower, 32nd St., Bonifacio Global City, Taguig City, Philippines 1634
Tel. No. +632 798-7622 | +632 892-6669 | Fax No. +632 892-5344

COVER SHEET

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SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

NAC Tower 32nd Street, Bonifacio Global City, Taguig

(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*		*Month*	*Day*
(Calendar Year)		(Form Type)	(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

48	**₱1,298.6 million**	**₱156.4 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

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S.E.C. Number CS200811530
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NICKEL ASIA CORPORATION
(Company's Full Name)

NAC Tower 32nd Street,
Bonifacio Global City, Taguig
(Company's Address)

+63 2 892 6669 / +63 2 892 4177
(Telephone Numbers)

December 31
(Fiscal Year Ending)
(month & day)

SEC FORM 17-Q Quarterly Report
Form Type

____
Amendment Delegation (If applicable)

For the Quarter Ended
June 30, 2014
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, 2014**
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
   NAC Tower 32nd Street, **1634**
   Bonifacio Global City, Taguig
8. Issuer's telephone number, including area code: **+63 2 892 6669 / +63 2 892 4177**
9. Former name, former address, and former fiscal year, if changed since last report.
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**2,526,240,766 Shares**
Long-term Debt	**Php1,455.0 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, 2014

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PART I – FINANCIAL INFORMATION

Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at June 30, 2014 and for the six-month period ended June 30, 2014 and 2013 (with Comparative Audited Statement of Financial Position as at December 31, 2013) are hereto attached.

The following tables set forth the summary financial information for the six-month period ended June 30, 2014 and 2013 and as of June 30, 2014 and December 31, 2013:

Summary Consolidated Statements of Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
	(In thousand pesos)		*(In thousand pesos)*	
Revenues	7,640,113	2,978,822	9,338,290	4,383,706
Cost and expenses	(2,983,626)	(2,137,264)	(4,256,295)	(3,208,419)
Finance income	26,917	34,350	756,442	91,134
Finance expenses	(33,632)	(26,675)	(76,167)	(52,435)
Equity in net income (losses) of an associate	279,931	(44,149)	291,588	(104,378)
Other income - net	53,719	135,525	97,785	152,107
Provision for income tax - net	(1,398,916)	(265,520)	(1,533,496)	(368,667)
Net income	3,584,506	675,089	4,618,147	893,048
Net income attributable to:				
Equity holders of the Parent	2,705,902	535,307	3,299,631	635,608
Non-controlling interests	878,604	139,782	1,318,516	257,440
	3,584,506	675,089	4,618,147	893,048

Summary Consolidated Statements of Financial Position

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	17,864,962	14,601,036	3,263,926	22.4%
Noncurrent assets	15,401,359	14,312,492	1,088,867	7.6%
Total assets	33,266,321	28,913,528	4,352,793	15.1%
Current liabilities	3,343,738	1,308,963	2,034,775	155.4%
Noncurrent liabilities	2,278,344	2,392,777	(114,433)	-4.8%
Equity attributable to equity holders of the Parent	23,054,898	20,490,148	2,564,750	12.5%
Non-controlling interests	4,589,341	4,721,640	(132,299)	-2.8%
Total liabilities and equity	33,266,321	28,913,528	4,352,793	15.1%
	-	-		

Summary Consolidated Statements of Cash Flows

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
	(In Thousand Pesos)		*(In Thousand Pesos)*	
Net cash flows generated from (used in):				
Operating activities	2,186,720	986,132	2,473,673	1,127,659
Investing activities	(744,675)	(742,651)	(1,175,462)	(1,400,349)
Financing activities	(798,451)	(726,363)	(1,719,969)	(750,276)
Net increase (decrease) in cash and cash equivalents	643,594	(482,882)	(421,758)	(1,022,966)
Cash and cash equivalents, beginning	9,168,984	8,723,367	10,234,336	9,263,451
Cash and cash equivalents, end	9,812,578	8,240,485	9,812,578	8,240,485

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, 2014 and 2013, 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, 2014 compared with six months ended June 30, 2013

Revenues

Our total revenues were ₱9,338.3 million in the six months ended June 30, 2014 as compared to ₱4,383.7 million in the six months ended June 30, 2013, an increase of ₱4,954.6 million or 113%.

Sale of ore

We sold an aggregate 7,728.9 thousand wet metric tonnes ("WMT") of nickel ore in the six months ended June 30, 2014, an increase of 40% compared to 5,537.5 thousand WMT of nickel ore in the six months ended June 30, 2013. Our sales for the first half of this year included 1,011.5 thousand WMT of saprolite ore to Japanese customers, 3,099.1 thousand WMT of saprolite and limonite ore to our Chinese customers and 3,618.3 thousand WMT of limonite ore to Coral Bay Nickel Corporation ("CBNC") and Taganito HPAL Nickel Corporation ("THNC"), compared to sales of 507.2 thousand WMT, 3,392.4 thousand WMT and 1,637.9 thousand WMT, respectively, for the same period last year.

The surge in shipment volumes during the first half of 2014 was largely the result of increased ore deliveries to the HPAL plants, in particular to the Taganito HPAL facility, now on its first full year of commercial operations. The said plant was still in its pre-operating stage during the same period last year. As a result, total ore deliveries to the two HPAL plants reached 3,618.3 thousand WMT in 2014 compared to 1,637.9 thousand WMT in 2013. The direct exports of ore likewise contributed to our higher shipments in the first half of the year, increasing from 3,899.6 thousand WMT to 4,110.6 thousand WMT. On a per mine basis, TMC's operations became the largest, accounting for 42% of total shipments during the first half of 2014 while RTN accounted for 38% of the total shipments. The two other operating mines, HMC and CMC, commenced shipments only in April and May, respectively, following the end of the wet season.

Our revenue from sale of nickel ore was ₱8,863.7 million in the first half of 2014 compared to ₱4,074.9 million in the same period last year, an increase of ₱4,788.8 million or 118%.
The tight supply of nickel ore brought about by the Indonesian ore export ban has led to a surge in prices to Chinese customers, most notably during the second quarter of the current year, significantly higher than the increase experienced in London Metal Exchange ("LME") prices. As a result, effective last April, all ore sales to our Japanese customers are now benchmarked to China prices on the basis of a negotiated price per WMT of ore. The average price received for ore sales to Japanese and Chinese customers totaling 4,110.6 thousand WMT of both saprolite and limonite ore during the first half of 2014 amounted to $41.18 per WMT. This compares to an average $21.62 per WMT for the same period last year on a total of 3,899.6 thousand WMT of ore sold. The pricing of shipments to Japanese customers for the first half of last year and first quarter of this year, which were primarily linked to the LME, were converted to the equivalent US dollar per WMT for comparison purposes.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which remain linked to LME prices, we realized an average of $7.56 per pound of payable nickel on 3,618.3 thousand WMT sold during the first half of 2014. This compares to an average of $7.30 per pound of payable nickel on 1,637.9 thousand WMT sold during the same period last year.

We own 60% of Rio Tuba Nickel Mining Corporation ("RTN"), which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of nickel ore was ₱3,028.5 million in the first half of 2014 compared to ₱1,658.3 million in the first half of 2013, an increase of ₱1,370.2 million, or 83%. RTN sold an aggregate 2,974.0 thousand WMT of nickel ore in the first half of 2014 compared to an aggregate 2,937.8 thousand WMT of nickel ore sold in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 348.6 thousand WMT or 134% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 364.0 thousand WMT or 34%. Further, the volume of limonite ore sold to CBNC increased by 51.6 thousand WMT or 3%.

RTN's revenue from sale of limestone ore was ₱140.4 million in the first half of 2014, as compared to ₱68.4 million in the same period last year, an increase of ₱72.0 million or 105%. A total of 189.9 thousand WMT of limestone ore was delivered to CBNC this period compared to 102.8 thousand WMT in the same period last year. The lower limestone ore delivery in the first half of 2013 was caused by the shutdown of one of CBNC's plant. In the first half of 2014, the two plants of CBNC were operational.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mining operations. TMC's revenue from sale of nickel ore was ₱3,398.9 million in the six months ended June 30, 2014 as compared to ₱1,012.3 million in the six months ended June 30, 2013, an increase of ₱2,386.6 million, or 236%. TMC sold an aggregate 3,286.0 thousand WMT of nickel ore in the first six months of this year as compared to an aggregate 1,076.9 thousand WMT of nickel ore in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 106.1 thousand WMT or 43% and the volume of saprolite and limonite ore sold to Chinese customers increased by 174.3 thousand WMT or 22%. Further, due to the start of regular ore deliveries to the new Taganito processing plant, TMC was able to deliver 1,960.7

thousand WMT of limonite ore to THNC in the first half of 2014 whereas there was only 32.0 thousand WMT in the same period last year.

We own 100% of CMC, which owns and operates the Cagdianao mining operations. CMC's revenue from sale of nickel ore was ₱963.1 million in the six months ended June 30, 2014 as compared to ₱84.4 million in the six months ended June 30, 2013, an increase of ₱878.7 million, or 1,041%. CMC sold an aggregate 322.7 thousand WMT of nickel ore in the first six months of this year as compared to an aggregate 177.5 thousand WMT of nickel ore in the same period last year. Significant increase in sales revenue of CMC was mainly the result of favorable nickel price and higher volume of shipments in 2014 than 2013.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of nickel ore was ₱1,473.1 million in the six months ended June 30, 2014 as compared to ₱1,319.8 million in the six months ended June 30, 2013, an increase of ₱153.3 million, or 12%. In the first six months of this year, HMC managed to sell an aggregate 1,146.2 thousand WMT of saprolite and limonite ore to Chinese customers compared to 1,345.2 thousand WMT in the same period last year. Despite of lower volume shipped, HMC posted higher revenue in the current period due to favorable nickel price.

Services and Others
Our revenue from services and others was ₱334.2 million in the first six months of 2014 compared to ₱240.4 million in the first six months of 2013, an increase of ₱93.8 million, or 39%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The main reason for the sudden increase in our revenues from services and others in the first half of 2014 was due to the increase in materials handling services provided by TMC to THNC, being the latter's first full year of commercial operations. On the other hand, only minimal materials handling services were provided to THNC in the first half of 2013 since the Taganito HPAL facility was still at its pre-operating stage.

Costs and Expenses
Our costs and expenses amounted to ₱4,256.3 million for the six months ended June 30, 2014 compared to ₱3,208.4 million for the six months ended June 30, 2013, an increase of ₱1,047.9 million, or 33%.

Cost of Sales
In the first half of 2014, our cost of sales was ₱2,328.5 million compared to ₱2,025.3 million in the same period last year, an increase of ₱303.2 million, or 15%. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱956.7 million to ₱1,119.8 million and depreciation and depletion from ₱399.3 million to ₱474.6 million. The increase in cost of sales was attributable mainly to the increase in volume shipped by 40% in the first half of 2014 compared to the same period last year. Further, the cost of limonite ore delivered to THNC also contributed to the increase in cost of sales. In the first half of 2013, TMC only had minimal shipments of limonite ore to THNC.

Cost of Services
Cost of services was ₱188.9 million for the six months ended June 30, 2014 compared to ₱130.3 million for the six months ended June 30, 2013, an increase of ₱58.6 million, or 45%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services by RTN and TMC to CBNC and THNC, respectively, plus the costs of maintaining the pier facility used by THNC. Increase in cost of services arises mainly from the cost of materials handling services rendered by TMC to THNC in the first six months of 2014. In the same period last year, the materials handling services rendered by TMC to THNC is only minimal.

Shipping and Loading
Shipping and loading costs were ₱745.5 million for the six months ended June 30, 2014 compared to ₱537.5 million in the same comparable period last year, an increase of ₱208.0 million, or 39%. Aside from the 5% increase in volume of our direct export of ores to Japan and China, the increase in shipping and loading costs was also brought by additional barges hired/contracted due to dry-docking of three tugboats of RTN and repair of one LCT of TMC.

Marketing
Marketing costs were ₱54.9 million and ₱12.2 million for the six months ended June 30, 2014 and 2013, respectively. The increase of ₱42.7 million arises mainly from higher commission paid by CMC to its claim owner.

Excise Taxes and Royalties
Our excise taxes and royalties were ₱554.0 million in the first half of 2014 compared to ₱221.2 million in the same period last year, an increase of ₱332.8 million, or 150%. The increase in excise taxes and royalties was brought mainly by the increase in our sales revenue this period as compared to last year, particularly from TMC and CMC.

General and Administrative
General and administrative expenses were ₱384.4 million in the first half of 2014 compared to ₱281.9 million in the first half of 2013, an increase of ₱102.5 million, or 36%. The increase in taxes and licenses by ₱50.6 million and donations by ₱26.7 million caused the increase in the account. The increment in taxes and licenses pertains to the fringe benefit tax on stock option exercised during the period. In the first half of 2014, a total of 7.1 million shares were exercised whereas in 2013, only 1.9 million shares were exercised. In addition, donations amounting to ₱23.2 million were given to the victims of super typhoon in Guiuan, Eastern Samar. The donations were used in the delivery of relief goods and building and reconstruction of houses. Aside from that, donations amounting to ₱3.5 million were also given to the Philippine General Hospital for the renovation of the wards.

Finance Income
Our finance income was ₱756.4 million in the first half of 2014 compared to ₱91.1 million in the same comparable period last year, an increase of ₱665.3 million, or 730%. The significant increase in finance income pertains mainly to the one-time, non-cash gain on revaluation by RTN of its investment in CBNC.

Finance Expense
Our finance expense was ₱76.2 million in the first half of 2014 compared to ₱52.4 million in the same comparable period last year, an increase of ₱23.8 million, or 45%. Basically, the movement in our finance expense arises from the increase in our loan guarantee service fee, which moved from ₱48.8 million to ₱72.0 million, due to additional loan drawn by THNC.

Equity in Net Income (Losses) of an Associate
Our equity in net income (losses) of THNC was ₱291.6 million income and ₱104.4 million loss for the first half of 2014 and 2013, respectively. The result of THNC's operations for the first six months of 2014 and 2013 was a net income of US$28.7 million and a net loss of US$11.2 million, respectively.

Other Income - Net
Our other income - net in the six months ended June 30, 2014 was ₱97.8 million compared to ₱152.1 million in the same comparable period last year, a decrease of ₱54.3 million, or 36%. The significant decrease in our other income - net was brought mainly by the movement in foreign exchange from ₱19.6 million gains in the first six months of 2013 to ₱29.8 million loss in the first six months of 2014. In both periods, the Group was in net foreign currency denominated asset position. However, in the first half of 2014 the value of peso to dollar strengthened from ₱45 to ₱43, whereas in the first half of 2013 the value of peso depreciated from ₱41 to ₱43. In addition, dividend income of ₱60.5 million was received from CBNC in 2013 whereas there was none in 2014. The decrease in other income – net was partially offset by the increase in reversals of allowance for impairment losses of HMC by ₱32.7 million.

Provision for (Benefit from) Income Tax
Net provision for income tax was ₱1,533.5 million in the first half of 2014 compared to ₱368.7 million in the first half of 2013, an increase of ₱1,164.8 million, or 316%.

Current
Our current provision for income tax in the first six months of 2014 was ₱1,557.3 million compared to ₱409.4 million in the first six months of 2013, an increase of ₱1,147.9 million, or 280% due to increase in our sales revenue.

Deferred
Our deferred benefit from income tax in the first six months of 2014 was ₱23.8 million compared to ₱40.7 million in the same period last year, a decrease of ₱16.9 million, or 42%. Deferred benefit from income tax for the first six months of 2014 was lower compared to the same period last year due to the tax effect of HMC's reversal of allowance for impairment losses and CMC's application of its excess minimum corporate income tax against income tax due and de-recognition of deferred income tax asset resulting from write-off of its allowance for impairment losses on advances for future royalties.

Net Income
As a result of the foregoing, our net income was ₱4,618.1 million for the first half of 2014 compared to ₱893.0 million for the same period last year. Net of non-controlling interests, our net income was ₱3,299.6 million in the first half of 2014 compared to a net income of ₱635.6 million in the same period last year.

Statement of Financial Position

As at June 30, 2014, total assets increased to ₱33,266.3 million from ₱28,913.5 million as of the end of 2013. Current assets increased to ₱17,865.0 million from ₱14,601.0 million mainly because of the increase in trade and other receivables from ₱839.4 million to ₱3,735.1 million resulting from increase in sales revenue for the period. In July 2014, 63% of the trade receivables were subsequently collected. In addition, inventories also increased from ₱2,044.5 million to ₱2,260.2 million.

The increase in noncurrent assets from ₱14,312.5 million to ₱15,401.4 million was brought mainly by the higher fair value of CBNC shares as compared to its cost. The fair value of CBNC shares, as recognized in the books of the Parent Company, amounted to ₱1,418.7 million while its cost amounted to ₱724.4 million only. The said shares were declared by RTN as property dividend to the Parent Company. In addition, investment in THNC increased from ₱4,112.1 million to ₱4,331.0 million due to favorable results of operations of THNC for the six months ended June 30, 2014 as compared to year-end 2013.

Total current liabilities increased to ₱3,343.7 million as at June 30, 2014 from ₱1,309.0 million as at December 31, 2013 due to income taxes payable, which increased from ₱263.4 million to ₱1,353.1 million, and trade and other payables, which increased from ₱928.1 million to ₱1,894.7 million. Total noncurrent liabilities decreased to ₱2,278.3 million as at June 30, 2014 from ₱2,392.8 million as at December 31, 2013 due to payments of long-term debt amounting to ₱59.0 million and payments of rehabilitation cost amounting to ₱8.5 million. Deferred income tax liabilities also decreased from ₱486.2 million to ₱444.7 million.

Our equity net of non-controlling interests as at June 30, 2014 increased to ₱23,054.9 million from ₱20,490.1 million as of year-end 2013, due to net earnings for the period.

Statement of Cash Flows

The net cash from operating activities amounted to ₱2,473.7 million for the six months ended June 30, 2014 compared to ₱1,127.7 million for the same period last year. Basically, the movement pertains to higher cash generated from operations as a result of the significant increase in sales revenue in the current period.

Net cash used in investing activities for the six months ended June 30, 2014 and 2013 amounted to ₱1,175.5 million and ₱1,400.3 million, respectively. The lower cash outflow in 2014 was attributable mainly to lower acquisitions of various property and equipment by ₱467.7 million as compared to 2013. However, this was partially reduced by acquisitions of additional AFS financial assets in 2014 which was higher by ₱251.8 million.

For the six months ended June 30, 2014 and 2013, the net cash used in financing activities amounting to ₱1,720.0 million and ₱750.3 million, respectively, arises mainly from payments of cash dividends.

As at June 30, 2014 and 2013, cash and cash equivalents amounted to ₱9,812.6 million and ₱8,240.5 million, respectively.

Top Five (5) Key Performance Indicators

LME price

We typically sell high- and low-grade saprolite ore to Pacific Metals Co., Ltd. ("PAMCO") and Sumitomo Metal Mining Co. Inc. ("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 and Taganito HPAL facility. The price of high and low-grade saprolite nickel ore sold to our customers, Coral Bay HPAL facility and the Taganito 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 for the first half of 2014 and 2013 were US$7.49 and US$7.32, respectively.

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 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 nickel pig iron ("NPI") and lately, carbon steel, in China. Our sales of high-grade saprolite ore are mainly to PAMCO, who purchases our high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our low-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our low-grade saprolite ore and limonite ore sales to our Chinese customers is roughly correlated with the LME nickel price, with volume increasing as nickel prices rise. In addition to sales of nickel ore to PAMCO, SMM and our customers in China, we sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility, in which we have a minority interest, and from our Taganito mine to the Taganito HPAL facility, in which we have a 22.5% equity interest. CBNC purchases an amount of limonite ore from us sufficient to meet its ore requirements. The annual capacity of its Coral Bay HPAL facility was originally 10,000 tonnes of contained nickel and was expanded to 20,000 tonnes of contained nickel in the second half of 2009, resulting in a higher volume of limonite ore sales from RTN. In 2010, the Coral Bay HPAL facility was able to attain an annual capacity of 23,000 tonnes as a result of the facility's expansion in 2009 which became fully operational in 2010. The Taganito HPAL facility has an annual capacity of 30,000 tons of contained nickel over an estimated 30-year Project life.

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

Mine Site Cash Cost per Volume Sold
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 first half of 2014 was ₱324.13 per WMT on the basis of aggregate cash costs of ₱2,566.7 million. This compares to ₱379.14 per WMT during the same period in 2013 on the basis of aggregate cash costs of ₱2,138.5 million.

Currency exchange rates
We earn substantially all of our revenues in US$ while most of our expenses are paid in peso. The appreciation of the peso against the US$ reduces our revenue in peso terms. Accordingly, appreciation of the peso against the US$ effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents and other portfolio investments are denominated in US$, the appreciation of the peso against the US$ 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 Group's average realized peso-to-dollar rates for the six-month period ended June 30, 2014 and 2013 are ₱44.06 and ₱41.51, respectively.

Liquidity and Capital Resources
As of June 30, 2014 and December 31, 2013, our principal source of liquidity was cash from our operations. We incurred long-term debt to finance the construction of our Rio Tuba and Taganito pier facilities. We receive income from CBNC and THNC under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for the use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt.

As of June 30, 2014 and December 31, 2013, our working capital, defined as the difference between our current assets and current liabilities, was ₱14.5 billion and ₱13.3 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 and THNC 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 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, long-term debt and sales of beneficiated nickel ore denominated in US$. Because almost all of our revenues are earned in US$ while most of our expenses are paid in Peso, appreciation of the peso against the US$ effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents, AFS financial assets and long-term debt are denominated in US$, the appreciation of the peso against the US$ reduces the value of our total assets and liabilities in peso terms in our consolidated financial statements. We are not currently a party to any foreign currency swap agreements and our policy is not to hedge foreign currency exchange risk.

To mitigate the effect of foreign currency risk, the Company will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign-currency denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the quoted equity securities that we own. Our exposure to equity price risk relates primarily to our AFS financial assets in various stocks of listed companies.

The Company's policy is to maintain the risk to an acceptable level. Movement in share price and market value of the assets are monitored regularly to determine impact on our financial position.

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 – FINANCIAL SOUNDNESS INDICATORS

Please refer to the attached schedule.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	2014	2013
A. *Liquidity analysis ratios*		
Current ratio or working capital ratio	**5.34**	8.43
Quick ratio	**4.50**	6.89
Solvency ratio	**5.92**	7.06
B. *Financial leverage ratios*		
Debt ratio	**0.17**	0.14
Debt-to-equity ratio	**0.20**	0.17
Interest coverage ratio	**330.97**	65.79
Asset-to-equity ratio	**1.20**	1.17
C. *Profitability ratios*		
Gross profit margin	**73%**	51%
Net profit margin	**49%**	20%
Return on assets	**14%**	3%
Return on equity	**17%**	4%

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

August 8, 2014

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

August 8, 2014

NICKEL ASIA CORPORATION
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JUNE 30, 2014

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014
(With Comparative Audited Figures as at December 31, 2013)
(Amounts in Thousands)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱9,812,578**	₱10,234,336
Trade and other receivables (Note 5)	**3,735,071**	839,449
Inventories (Notes 6 and 10)	**2,260,196**	2,044,469
Available-for-sale (AFS) financial assets (Note 7)	**1,515,835**	1,257,370
Prepayments and other current assets	**541,282**	225,412
Total Current Assets	**17,864,962**	14,601,036
Noncurrent Assets		
AFS financial assets (Note 7)	**1,936,968**	1,181,568
Property and equipment (Note 8)	**6,654,786**	6,585,752
Investment property	**29,000**	29,000
Investment in an associate (Note 9)	**4,330,950**	4,112,126
Long-term stock pile inventory - net of current portion (Note 10)	**878,533**	981,463
Deferred income tax assets - net	**318,943**	344,443
Other noncurrent assets (Note 4)	**1,252,179**	1,078,140
Total Noncurrent Assets	**15,401,359**	14,312,492
TOTAL ASSETS	**₱33,266,321**	₱28,913,528
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱1,894,715**	₱928,113
Income tax payable	**1,353,080**	263,381
Current portion of long-term debt (Note 12)	**95,943**	117,469
Total Current Liabilities	**3,343,738**	1,308,963
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 12)	**1,359,086**	1,421,128
Deferred income tax liabilities – net	**444,669**	486,228
Deferred income - net of current portion	**75,419**	75,419
Provision for mine rehabilitation and decommissioning (Note 13)	**123,925**	130,927
Pension liability	**275,245**	279,075
Total Noncurrent Liabilities	**2,278,344**	2,392,777
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 14)	**1,270,321**	1,266,780
Additional paid-in capital	**8,228,894**	8,151,603
Other components of equity:		
Cost of share-based payment plan (Note 15)	**21,952**	49,524
Net valuation gains on AFS financial assets (Note 7)	**134,580**	99,506
Share in cumulative translation adjustment (Note 9)	**74,713**	140,201
Asset revaluation surplus	**33,438**	33,629
Retained earnings		
Unappropriated	**12,291,000**	9,748,905
Appropriated (Note 14)	**1,000,000**	1,000,000
	23,054,898	20,490,148
Non-controlling Interests	**4,589,341**	4,721,640
Total Equity	**27,644,239**	25,211,788
TOTAL LIABILITIES AND EQUITY	**₱33,266,321**	₱28,913,528

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2014 AND 2013
(Amounts in Thousands, Except Earnings per Share)

	2014	2013
	(Unaudited)	
REVENUES (Note 27)		
Sale of ore	**₱7,476,118**	₱2,864,215
Services and others	**163,995**	114,607
	7,640,113	2,978,822
COSTS AND EXPENSES		
Cost of sales (Note 17)	**1,562,274**	1,330,329
Cost of services (Note 18)	**95,238**	64,817
Shipping and loading costs (Note 19)	**568,148**	405,927
Excise taxes and royalties (Note 20)	**492,082**	179,970
General and administrative (Note 21)	**210,963**	149,429
Marketing	**54,921**	6,792
	2,983,626	2,137,264
FINANCE INCOME (Note 24)	**26,917**	34,350
FINANCE EXPENSES (Note 25)	**(33,632)**	(26,675)
EQUITY IN NET INCOME (LOSSES) OF AN ASSOCIATE (Note 9)	**279,931**	(44,149)
OTHER INCOME – Net (Note 26)	**53,719**	135,525
INCOME BEFORE INCOME TAX	**4,983,422**	940,609
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)		
Current	**1,393,409**	299,054
Deferred	**5,507**	(33,534)
	1,398,916	265,520
NET INCOME	**₱3,584,506**	₱675,089
Net income attributable to:		
Equity holders of the parent	**₱2,705,902**	₱535,307
Non-controlling interests	**878,604**	139,782
	₱3,584,506	₱675,089
Earnings per share:		
Basic	**₱1.07**	₱0.21
Diluted	**₱1.06**	₱0.21

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Amounts in Thousands, Except Earnings per Share)

	2014	2013
	(Unaudited)	
REVENUES (Note 27)		
Sale of ore	**₱9,004,080**	₱4,143,267
Services and others	**334,210**	240,439
	9,338,290	4,383,706
COSTS AND EXPENSES		
Cost of sales (Note 17)	**2,328,513**	2,025,280
Cost of services (Note 18)	**188,915**	130,333
Shipping and loading costs (Note 19)	**745,533**	537,516
Excise taxes and royalties (Note 20)	**553,988**	221,204
General and administrative (Note 21)	**384,425**	281,906
Marketing	**54,921**	12,180
	4,256,295	3,208,419
FINANCE INCOME (Note 24)	**756,442**	91,134
FINANCE EXPENSES (Note 25)	**(76,167)**	(52,435)
EQUITY IN NET INCOME (LOSSES) OF AN ASSOCIATE (Note 9)	**291,588**	(104,378)
OTHER INCOME – Net (Note 26)	**97,785**	152,107
INCOME BEFORE INCOME TAX	**6,151,643**	1,261,715
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)		
Current	**1,557,309**	409,378
Deferred	**(23,813)**	(40,711)
	1,533,496	368,667
NET INCOME	**₱4,618,147**	₱893,048
Net income attributable to:		
Equity holders of the parent	**₱3,299,631**	₱635,608
Non-controlling interests	**1,318,516**	257,440
	₱4,618,147	₱893,048
Earnings per share (Note 16):		
Basic	**₱1.31**	₱0.25
Diluted	**₱1.30**	₱0.25

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Amounts in Thousands)

	2014	2013
	(Unaudited)	
NET INCOME	**₱4,618,147**	₱893,048
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:		
Share in translation adjustment of an associate	**(65,488)**	178,618
Net valuation gains on AFS financial assets	**35,074**	12,872
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	**(30,414)**	191,490
Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:		
Asset revaluation surplus	**(191)**	(191)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	**(30,605)**	191,299
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱4,587,542**	₱1,084,347
Total comprehensive income attributable to:		
Equity holders of the parent	**₱3,269,026**	₱826,907
Non-controlling interests	**1,318,516**	257,440
	₱4,587,542	₱1,084,347

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, 2014 AND 2013

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 14)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 15)	Net Valuation Gains on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment (Note 9)	Asset Revaluation Surplus	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 14)	Total	Non-controlling Interests	Total
Balances at December 31, 2013	**₱1,266,780**	**₱8,151,603**	**₱49,524**	**₱99,506**	**₱140,201**	**₱33,629**	**₱9,748,905**	**₱1,000,000**	**₱20,490,148**	**₱4,721,640**	**₱25,211,788**
Net income	–	–	–	–	–	–	3,299,631	–	3,299,631	1,318,516	4,618,147
Other comprehensive income (loss)	–	–	–	35,074	(65,488)	(191)	–	–	(30,605)	–	(30,605)
Total comprehensive income (loss)	–	–	–	35,074	(65,488)	(191)	3,299,631	–	3,269,026	1,318,516	4,587,542
Exercise of stock options (Note 15)	3,541	77,291	(29,845)	–	–	–	–	–	50,987	–	50,987
Cost of share-based payment (Note 15)	–	–	2,273	–	–	–	–	–	2,273	–	2,273
Cash dividends - ₱0.30 per common share (Note 14)	–	–	–	–	–	–	(757,727)	–	(757,727)	–	(757,727)
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	191	–	191	–	191
Share of non-controlling interest in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	–	(1,450,815)	(1,450,815)
Balances at June 30, 2014 (Unaudited)	**₱1,270,321**	**₱8,228,894**	**₱21,952**	**₱134,580**	**₱74,713**	**₱33,438**	**₱12,291,000**	**₱1,000,000**	**₱23,054,898**	**₱4,589,341**	**₱27,644,239**

			Equity Attributable to Equity Holders of the Parent							
	Capital Stock	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2012, as previously stated	₱1,013,938	₱8,117,558	₱57,464	₱65,199	(₱136,909)	₱34,012	₱9,737,447	₱18,888,709	₱4,712,116	₱23,600,825
Effect of adoption of Revised Philippine Accounting Standards (PAS) 19	–	–	–	–	–	–	(12,283)	(12,283)	(6,838)	(19,121)
Balances at December 31, 2012, as restated	1,013,938	8,117,558	57,464	65,199	(136,909)	34,012	9,725,164	18,876,426	4,705,278	23,581,704
Net income	–	–	–	–	–	–	635,608	635,608	257,440	893,048
Other comprehensive income (loss)	–	–	–	12,872	178,618	(191)	–	191,299	–	191,299
Total comprehensive income (loss)	–	–	–	12,872	178,618	(191)	635,608	826,907	257,440	1,084,347
Exercise of stock options	926	34,045	(18,309)	–	–	–	–	16,662	–	16,662
Cost of share-based payment	–	–	1,624	–	–	–	–	1,624	–	1,624
Cash dividends - ₱0.35 per common share (Note 14)	–	–	–	–	–	–	(705,252)	(705,252)	–	(705,252)
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	191	191	–	191
Balances at June 30, 2013 (Unaudited)	₱1,014,864	₱8,151,603	₱40,779	₱78,071	₱41,709	₱33,821	₱9,655,711	₱19,016,558	₱4,962,718	₱23,979,276

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Amounts in Thousands)

	2014	2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱6,151,643**	₱1,261,715
Adjustments for:		
Gain on appreciation of AFS financial asset (Note 24)	**(694,312)**	–
Depreciation and depletion (Note 23)	**672,243**	605,064
Equity in net losses (income) of an associate (Note 9)	**(291,588)**	104,378
Interest income (Note 24)	**(62,130)**	(90,406)
Unrealized foreign exchange losses (gains) - net	**(22,286)**	74,848
Interest expense (Notes 12, 18 and 25)	**18,643**	19,473
Gain on sale of property and equipment (Note 26)	**(8,058)**	(3,855)
Movements in pension liability	**(3,830)**	25,915
Dividend income (Note 26)	**(3,566)**	(60,763)
Cost of share-based payment plan (Notes 15 and 22)	**2,273**	1,624
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 13 and 25)	**1,452**	1,002
Gain on transfer from equity to profit or loss of AFS financial assets - net (Notes 7 and 24)	**–**	(728)
Operating income before working capital changes	**5,760,484**	1,938,267
Increase in:		
Trade and other receivables	**(2,899,253)**	(739,359)
Inventories	**(112,797)**	(47,709)
Prepayments and other current assets	**(315,870)**	(38,832)
Trade and other payables	**462,154**	346,183
Net cash generated from operations	**2,894,718**	1,458,550
Interest received	**65,761**	101,754
Income taxes paid	**(467,610)**	(411,625)
Interest paid	**(19,196)**	(21,020)
Net cash flows from operating activities	**2,473,673**	1,127,659
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 8)	**(796,403)**	(1,264,153)
AFS financial assets (Note 7)	**(271,770)**	(20,000)
Proceeds from:		
Sale of property and equipment	**63,184**	4,911
Sale of AFS financial assets	**–**	45,614
Dividends received	**3,566**	60,763
Decrease in deferred income	**–**	(5,860)
Increase in other noncurrent assets	**(174,039)**	(221,624)
Net cash flows used in investing activities	**(1,175,462)**	(1,400,349)

(Forward)

	2014	2013
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(₱1,703,542)**	(₱705,252)
Long-term debt	**(58,960)**	(61,686)
Rehabilitation cost	**(8,454)**	–
Proceeds from exercise of stock options	**50,987**	16,662
Net cash flows used in financing activities	**(1,719,969)**	(750,276)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(421,758)**	(1,022,966)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**10,234,336**	9,263,451
CASH AND CASH EQUIVALENTS AT JUNE 30 (Note 4)	**₱9,812,578**	₱8,240,485

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

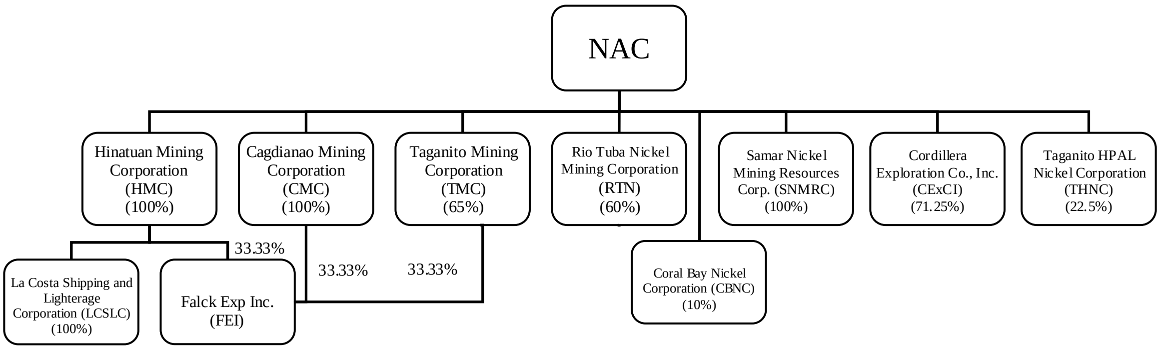
(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

1. Corporate Information

Nickel Asia Corporation (NAC, Parent Company, Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 2008. The Parent Company is primarily engaged in investing in and holding of assets of every kind and description and wherever situated, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of mining of all kinds of ore, metals and minerals.

On November 22, 2010, the Company was listed on the Philippine Stock Exchange with an initial public offering (IPO) of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱8.00 per share after the stock dividends (see Note 14).

Parent Company Ownership Map



The Subsidiaries

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 Island, Surigao del Norte and Manicani Island, Eastern Samar. HMC is also engaged in the chartering out of Landing Craft Transport (LCT). The registered office address of HMC is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

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 at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

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. TMC also provides non-mining services such as handling, hauling and transportation of materials required in the processing operations of THNC. The registered office address of TMC is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

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 of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan and providing non-mining services. The registered office address of RTN is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

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 at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

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 (LCT) and providing complete marine services. The registered office address of the Company is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig. LCSLC was acquired by HMC in April 2010.

SNMRC
SNMRC was registered with the SEC on March 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 at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

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 at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

On June 6, 2014, the stockholders of the Parent Company approved the amendment of its Articles of Incorporation to reflect the change in its principal office address from 6th floor BMMC Building, 143 Dela Rosa Street, Legaspi Village, Makati City to NAC Tower 32nd

Street, Bonifacio Global City, Taguig. The Parent Company is in the process of amending its Articles of Incorporation for the transfer of its address.

The interim consolidated financial statements as at June 30, 2014 and December 31, 2013 and for the six-month period ended June 30, 2014 and 2013, were authorized for issuance by the Parent Company's BOD on August 8, 2014.

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, 2014 and for the six-month period ended June 30, 2014 and 2013 have been prepared in accordance with 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, 2013.

Basis of Consolidation

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

	Country of Domicile	Principal Activities	Effective Ownership
Subsidiaries			
HMC	Philippines	Mining and Services	100.00%
CMC	Philippines	Mining	100.00%
SNMRC	Philippines	Mining	100.00%
CEXCI	Philippines	Mining	71.25%
LCSLC*	Philippines	Services	100.00%
FEI*	Philippines	Mining	88.00%
TMC	Philippines	Mining and Services	65.00%
RTN	Philippines	Mining and Services	60.00%
Associate			
THNC	Philippines	Manufacturing	22.50%

*Direct and indirect ownership

Subsidiaries

Subsidiaries are entities over which the Parent Company has control.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

Changes in Accounting Policies
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations as at January 1, 2014, noted below:

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of Philippine Financial Reporting Standards (PFRS) 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
  IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has no derivatives during the current period which will be considered for future novations.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as

reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments 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. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group shall consider this amendment for future impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

  The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Group does not expect that the amendment will have material financial impact in future consolidated financial statements.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no material impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments may affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The annual improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of

financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the 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 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. The SEC and the Financial Reporting Standards Council have deferred the

effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The amendment has no impact on the Group's financial position or performance.

After consideration of the result of the impact evaluation using the outstanding balances of financial statements as at December 31, 2013, the Group did not early adopt any standard, interpretation or amendment that has been issued but is not yet effective. The Group will, however, continue to evaluate the impact of the standards, interpretations and amendments in our financial statements for the year 2014.

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, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash on hand and with banks	**₱5,124,194**	₱4,981,843
Short-term cash investments	**4,688,384**	5,252,493
	₱9,812,578	₱10,234,336

Cash with banks amounting to ₱60.9 million and ₱65.1 million as at June 30, 2014 and December 31, 2013, respectively, representing proceeds from the IPO, 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 ₱37.4 million and ₱38.9 million as at June 30, 2014 and December 31, 2013, respectively, were impaired and fully provided for with allowance for impairment losses.

The aging analysis of the Group's trade and other receivables as at June 30, 2014 and December 31, 2013 are summarized below:

June 30, 2014 (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 (see Note 27)	**₱3,399,338**	**₱26,852**	**₱24,612**	**₱3,450,802**
Advances to suppliers and contractors	**76,952**	**5,685**	**–**	**82,637**
Receivable from CBNC	**15,272**	**33,666**	**–**	**48,938**
Amounts owed by related parties (see Note 27)	**8,149**	**–**	**–**	**8,149**
Others	**73,525**	**95,632**	**12,794**	**181,951**
Total	**₱3,573,236**	**₱161,835**	**₱37,406**	**₱3,772,477**

December 31, 2013 (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 (see Note 27)	₱628,418	₱–	₱26,150	₱654,568
Advances to suppliers and contractors	63,154	–	–	63,154
Receivable from CBNC	50,049	–	–	50,049
Amounts owed by related parties (see Note 27)	9,212	–	–	9,212
Others	88,616	–	12,793	101,409
Total	₱839,449	₱–	₱38,943	₱878,392

6. Inventories

As at June 30, 2014 and December 31, 2013, inventories amounting to ₱335.3 million and ₱374.3 million were assessed to be impaired and were provided for with allowance. For the six-month period ended June 30, 2014 and 2013, the provision for inventory losses amounted to ₱1.2 million and nil, respectively, and the reversal of allowance for impairment losses on inventory amounted to ₱40.2 million and ₱7.5 million, respectively.

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱620.5 million and ₱677.2 million as at June 30, 2014 and December 31, 2013, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱302.3 million and ₱294.2 million as at June 30, 2014 and December 31, 2013, 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, 2014 and 2013, the Group acquired various AFS financial assets amounting to ₱271.8 million and ₱20.0 million, respectively, and disposed AFS financial assets amounting to nil and ₱44.8 million, respectively.

Dividend income earned from AFS financial assets amounted to ₱3.6 million and ₱0.3 million for the six-month period ended June 30, 2014 and 2013, respectively (see Note 26).

8. **Property and Equipment**

During the six-month period ended June 30, 2014 and 2013, the Group acquired assets with a cost of ₱796.4 million and ₱1,264.2 million, respectively, including construction in-progress.

Pier facilities (included under "Buildings and Improvements") with a carrying value of ₱131.5 million and ₱150.3 million as at June 30, 2014 and December 31, 2013, 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, 2014 and 2013 amounted to ₱672.2 million and ₱605.1 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 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 consist of the manufacture and export of nickel/cobalt mixed sulfide. THNC has started its commercial operations in October 2013 upon completion of the construction of its manufacturing plant in Surigao del Norte.

The net assets of THNC amounted to ₱18,780.3 million and ₱17,678.4 million as at June 30, 2014 and 2013, respectively. The result of THNC's operations was a net income of ₱1,295.9 million for the first half of 2014 and a net loss of ₱463.9 million for the first half of 2013. The Parent Company's share in cumulative translation adjustment amounted to ₱74.7 million and ₱140.2 million as at June 30, 2014 and December 31, 2013, respectively, and its equity in net income or losses of an associate amounted to ₱291.6 million income and ₱104.4 million loss for the period ended June 30, 2014 and 2013, 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 long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC. Subsequently, this fair value represented the cost of the long-term stock pile inventory. The fair value of the inventory as at the date of acquisition amounted to ₱2,036.7 million.

A portion amounting to ₱188.5 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next accounting period, were shown as part of "Inventories" as at June 30, 2014 and December 31, 2013, and the cost of the inventory delivered to CBNC for the period ended June 30, 2014 and 2013 of ₱102.9 million and ₱85.0 million, respectively, was included as part of "Cost of sales" (see Note 17).

The carrying value of long-term stock pile - net of current portion amounted to ₱878.5 million and ₱981.5 million as at June 30, 2014 and December 31, 2013, 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. Royalties are paid on or before the deadline agreed with the Mines and Geosciences Bureau or other parties. 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, 2014	December 31, 2013
	(Unaudited)	(Audited)
TMC	**₱1,298,587**	₱1,359,597
RTN	**156,442**	179,000
	₱1,455,029	₱1,538,597
Less current portion:		
TMC	**76,388**	77,691
RTN	**19,555**	39,778
	95,943	117,469
	₱1,359,086	₱1,421,128

TMC Loan
On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to $35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread, to finance the construction of the pier facilities within the Taganito Special Economic Zone. The loan shall be drawn down in one or multiple times by July 31, 2011.

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.

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all governmental approvals necessary to perform the obligations. As at June 30, 2014 and December 31, 2013, TMC is in compliance with the restrictions.

TMC settled ₱37.8 million (or US$0.9 million) of long-term debt which became due in April 2014 and 2013, respectively.

Interest expense for the six-month period ended June 30, 2014 and 2013 amounting to ₱15.9 million and ₱16.8 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 18).

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

In July 2003, an additional loan amounting to US$0.2 million was granted by SMM. Starting 2003, the interest on the original and additional loans is payable semi-annually on February 28 and August 31. The total principal is payable in 20 equal semi-annual installments starting February 28, 2004 up to August 31, 2013. In February 2007, RTN and SMM agreed to an additional loan facility amounting to US$9.0 million. Of the total loan facility, the remaining US$0.5 million was drawn during February and March 2008. The additional loan facility is payable in semi-annual installments starting August 31, 2008 up to February 28, 2018.

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

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any governmental authority affecting RTN. As at June 30, 2014 and December 31, 2013, RTN is in compliance with the restrictions.

RTN settled ₱19.6 million (or US$0.4 million) and ₱23.9 million (or US$0.5 million) of long-term debt which became due in February 2014 and 2013, respectively.

Interest expense which formed part of "Finance expense" amounted to ₱2.0 million and ₱2.6 million for the six-month period ended June 30, 2014 and 2013, 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, 2014 and 2013, accretion expense amounted to ₱1.5 million and ₱1.0 million, respectively (see Note 25).

14. **Equity**

Capital Stock
The capital structure of the Parent Company as at June 30, 2014 and December 31, 2013 is as follows:

	June 30, 2014	December 31, 2013
Common stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares		
Issued - 2,526,240,766 shares in 2014 and		
2,519,159,345 shares in 2013	**₱1,263,121**	₱1,259,580
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000		
shares	**7,200**	7,200
Total	**₱1,270,321**	₱1,266,780

As at June 30, 2014 and December 31, 2013, the Parent Company has forty-eight (48) and forty-five (45) stockholders, respectively.

As at June 30, 2014 and December 31, 2013, a total of 805,736,195 or 32% and 803,135,234 or 32%, respectively, of the outstanding common shares of the Parent Company are registered in the name of forty-six (46) and forty-three (43) shareholders, respectively, while the balance of 1,720,504,571 common shares or 68% and 1,716,024,111 common shares or 68%, respectively, are lodged with the Philippine Depository and Trust Corporation.

Dividends
On March 24, 2014, the Parent Company's BOD declared cash dividends amounting to ₱757.7 million, equivalent to ₱0.30 per share, to stockholders of record as at April 10, 2014 which were paid on May 8, 2014.

On April 5, 2013, the Parent Company's BOD declared cash dividends amounting to ₱705.3 million, equivalent to ₱0.35 per share, to stockholders of record as at April 22, 2013 which were paid on May 14, 2013.

On June 3, 2013, the Parent Company's stockholders declared twenty-five percent (25%) stock dividends on the outstanding common shares amounting to ₱251.9 million, equivalent to ₱0.50 per share, to stockholders of record as at June 18, 2013 which were issued on July 12, 2013. The stock dividends correspond to 503.8 million common shares.

Appropriated Retained Earnings
On November 5, 2013, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,000.0 million, for the construction, operation and maintenance of a bunker-fired diesel power station.

15. **Executive Stock Option Plan (ESOP)**

On June 16, 2010, the BOD and stockholders of the Parent Company approved the Employee Stock Option Plan (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, which is equivalent to ₱7.20 per share after the stock dividends.
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.

Except for the effect of stock dividends, there have been no cancellations or modifications to the ESOP in 2014 and 2013.

On June 6, 2014, the BOD and stockholders of the Parent Company approved the adoption of a new Plan for the officers of the Parent Company and its operating subsidiaries, including the Resident Mine Managers. Directors are also eligible to participate in the Plan.

The following table illustrates the number of, and movements in, stock options:

	Number of shares	
	June 30, 2014	December 31, 2013
Outstanding at beginning of year	**15,150,313**	13,971,473
Exercised	**(7,081,421)**	(1,851,218)
Adjustment for stock dividends	**–**	3,030,058
Outstanding at end of period	**8,068,892**	15,150,313

The number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) and fifty percent (50%) stock dividends.

On September 2, 2013 and March 19, 2013, SEC approved the exemption from registration of 3,030,058 and 4,457,156 common shares, representing 25% and 50% stock dividends, respectively, which form part of the ESOP.

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

	June 30, 2014	December 31, 2013
Balances at beginning of year	**₱49,524**	₱57,464
Cost of share-based payment recognized as capital upon exercise	**(29,845)**	(18,309)
Stock option expense (see Note 22)	**2,273**	10,369
Movements during the period	**(27,572)**	(7,940)
Balances at end of period	**₱21,952**	₱49,524

Cost of share-based payments for the six-month ended June 30, 2014 and 2013 amounted to ₱2.3 million and ₱1.6 million, respectively (see Note 22).

16. Basic Earnings Per Share

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

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	**₱3,299,631**	₱635,608
b. Weighted average number of common shares issued and outstanding (in thousands)	**2,524,583**	2,517,935
Basic EPS (a/b)	**₱1.31**	₱0.25

Diluted EPS were computed as follows:

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
c. Net income attributable to equity holders of the Parent	**₱3,299,631**	₱635,608
d. Weighted average number of common shares issued and outstanding (in thousands)	**2,541,458**	2,529,185
Diluted EPS (a/b)	**₱1.30**	₱0.25

17. Cost of Sales

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Production overhead	**₱1,119,804**	₱956,652
Depreciation and depletion (see Note 23)	**474,630**	399,283
Outside services	**402,540**	409,538
Personnel costs (see Note 22)	**363,186**	309,325
Long-term stockpile inventory sold (see Note 10)	**102,929**	85,015
	2,463,089	2,159,813
Net changes in beneficiated nickel ore and limestone ore	**(134,576)**	(134,533)
	₱2,328,513	₱2,025,280

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, maintenance, security and blasting equipment rental.

18. **Cost of Services**

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Depreciation and depletion (see Note 23)	**₱64,424**	₱55,269
Personnel costs (see Note 22)	**41,000**	22,176
Overhead	**40,652**	9,992
Equipment operating costs (see Note 12)	**32,926**	37,257
Outside services	**9,913**	5,639
	₱188,915	₱130,333

19. **Shipping and Loading Costs**

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Contract fees	**₱459,308**	₱289,294
Fuel, oil and lubricants	**114,967**	82,936
Depreciation and depletion (see Note 23)	**64,335**	74,564
Personnel costs (see Note 22)	**30,626**	29,022
Materials and supplies	**47,292**	31,654
Other services and fees	**29,005**	30,046
	₱745,533	₱537,516

20. **Excise Taxes and Royalties**

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Excise taxes	**₱180,082**	₱82,865
Royalties	**373,906**	138,339
	₱553,988	₱221,204

21. General and Administrative Expenses

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Personnel costs (see Note 22)	**₱96,617**	₱104,420
Taxes and licenses	**95,515**	44,901
Depreciation and depletion (see Note 23)	**44,435**	38,097
Professional fees	**33,901**	24,045
Donations	**27,275**	–
Transportation and travel	**9,276**	7,422
Repairs and maintenance	**8,506**	1,941
Outside services	**7,388**	5,896
Entertainment, amusement and recreation	**4,629**	3,842
Communications, light and water	**4,380**	6,470
Others	**52,503**	44,872
	₱384,425	₱281,906

Other general and administrative expenses is composed of dues and subscription expense, rentals, other service fees, materials and supplies used, bank charges, insurance expense and other numerous transactions with minimal amounts.

Donations amounting to ₱23.2 million were given to the victims of super typhoon in Guiuan, Eastern Samar which were used in the delivery of relief goods and building and reconstruction of houses; and ₱3.5 million to the Philippine General Hospital for the renovation of wards.

22. Personnel Costs

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Salaries, wages and employee benefits	**₱529,156**	₱463,319
Cost of share-based payment plan (see Note 15)	**2,273**	1,624
	₱531,429	₱464,943

The amounts of personnel costs are distributed as follows:

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Cost of sales (see Note 17)	**₱363,186**	₱309,325
General and administrative (see Note 21)	**96,617**	104,420
Cost of services (see Note 18)	**41,000**	22,176
Shipping and loading costs (see Note 19)	**30,626**	29,022
	₱531,429	₱464,943

23. **Depreciation and Depletion**

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Property and equipment (see Note 8)	**₱672,243**	₱603,014
Investment property	**–**	2,050
	₱672,243	₱605,064

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

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Cost of sales (see Note 17)	**₱474,630**	₱399,283
Shipping and loading costs (see Note 19)	**64,335**	74,564
Cost of services (see Note 18)	**64,424**	55,269
General and administrative (see Note 21)	**44,435**	38,097
Others	**24,419**	37,851
	₱672,243	₱605,064

24. **Finance Income**

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Interest income	**₱62,130**	₱90,406
Gain on revaluation of AFS financial asset	**694,312**	–
Gain on transfer from equity to profit or loss of AFS financial assets	**–**	728
	₱756,442	₱91,134

Gain on revaluation of AFS financial asset arises from RTN's revaluation of its 58,749,999 shares in CBNC. The said shares were subsequently declared as property dividend to the Parent Company.

25. **Finance Expenses**

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Guarantee service fee	**₱71,954**	₱48,792
Interest expense (see Note 12)	**2,761**	2,641
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 13)	**1,452**	1,002
	₱76,167	₱52,435

26. **Other Income** - Net

	For the six-month period ended June 30	
	2014	2013
	(Unaudited)	
Reversals of allowance for impairment losses	**₱40,208**	₱7,486
Foreign exchange gains (losses) - net	**(29,756)**	19,562
Despatch	**12,641**	19,152
Rentals and accommodations	**8,927**	2,045
Gain on sale of property and equipment	**8,058**	3,855
Issuance of fuel, oil and lubricants	**5,335**	4,421
Dividend income (see Note 7)	**3,566**	60,763
Other services	**1,970**	2,641
Provision for impairment losses	**(1,224)**	–
Others	**48,060**	32,182
	₱97,785	₱152,107

27. **Related Party Transactions**

Set out below are the Group's transactions with related parties for the six-month period ended June 30, 2014 and 2013, including the corresponding assets and liabilities arising from the said transactions as at June 30, 2014 (Unaudited) and December 31, 2013 (Audited):

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 12)		Terms	Conditions
	June 30, 2014	June 30, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013		
Stockholders												
Pacific Metals Co., Ltd. (PAMCO)												
Sale of ore and services	**₱1,666,169**	₱639,400	**₱316,090**	₱5,948	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Draft survey fee	**–**	–	**–**	54	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**–**	–	**–**	1,080	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM												
Sale of ore	**339,898**	73,435	**16,260**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee	**71,955**	48,792	**–**	–	**43,031**	39,549	**–**	–	**–**	–	Every twenty first (21) of February and August	Unsecured
Short-term advances	**1,250**	1,250	**–**	–	**–**	–	**8,144**	532	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 12)		Terms	Conditions
	June 30, 2014	June 30, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013		
SMM												
Loan facility	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱156,442**	₱179,000	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Nickel Asia Holdings Inc.												
Dividends payable	**–**	–	**–**	–	**2,016**	2,016	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
With Common Stockholders												
CBNC												
Sale of ore and services	**1,019,784**	791,576	**233,695**	200,454	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**24,108**	27,193	**27,322**	23,983	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**70,960**	31,345	**21,616**	26,066	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**–**	–	**–**	–	**–**	–	**–**	63	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends received	**–**	60,480	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Fully collected

(Forward)

Manta Equities, Inc.												
Short-term advances	**₱32**	₱1,108	**₱–**	₱745	**₱–**	₱–	**₱5**	₱83	**₱–**	₱–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Others	**–**	–	**–**	3,580	**–**	1,451	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Associate												
THNC												
Sale of ore	**671,750**	9,382	**148,349**	75,638	**–**	–	**–**	–	**–**	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**190,704**	64,227	**87,095**	73,851	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Loan facility	**–**	–	**–**	–	**–**	–	**–**	–	**1,298,587**	1,359,597	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Short-term advances	**–**	**–**	**–**	–	**–**	–	**–**	8,534	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
			₱850,427	₱411,399	**₱45,047**	₱43,016	**₱8,149**	₱9,212	**₱1,455,029**	₱1,538,597		

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, 2014 and December 31, 2013 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, 2014 and 2013 amounted to about ₱77.6 million and ₱59.3 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	
	2014	2013
	(Unaudited)	
Current	**₱1,557,309**	₱409,378
Deferred	**(23,813)**	(40,711)
	₱1,533,496	₱368,667

29. Financial Instruments

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

	Fair Values	
	June 30, 2014	December 31, 2013
FINANCIAL ASSETS		
Loans and Receivables		
Cash and cash equivalents	**₱9,812,578**	₱10,234,336
Cash on hand and with banks	5,124,194	4,981,843
Short-term cash investments	4,688,384	5,252,493
Trade and other receivables	**3,652,434**	776,295
Trade	3,426,190	628,418
Receivable from CBNC	48,938	50,049
Amounts owed by related parties	8,149	9,212
Others	169,157	88,616
Other noncurrent assets	**327,718**	237,584
Mine rehabilitation fund	194,934	125,467
Cash held in escrow	60,882	65,118
Long-term negotiable instrument	30,000	30,000
SDMP fund	41,902	16,999
	13,792,730	11,248,215

	Fair Values	
	June 30, 2014	December 31, 2013
AFS Financial Assets	**₱3,452,803**	₱2,438,938
Quoted equity securities	254,433	201,830
Quoted debt securities	1,585,531	1,318,364
Unquoted equity securities	1,612,839	918,744
	₱17,245,533	₱13,687,153
FINANCIAL LIABILITIES		
Other Financial Liabilities		
Trade and other payables	**₱1,611,521**	₱785,670
Trade	704,469	475,971
Accrued expenses	349,211	241,222
Dividends payable	496,291	–
Retention payable	15,527	34,168
Others	46,023	34,309
Long-term debt	**1,455,029**	1,538,597
	₱3,066,550	₱2,324,267

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, 2014 and December 31, 2013, the Group's AFS financial assets are classified under Level 1 and 3.

As at June 30, 2014 and December 31, 2013, 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 and THNC.

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

	June 30, 2014 (Unaudited)							
	Mining				Services and Others			
	HMC	CMC	TMC	RTN	RTN/TMC/LCSLC/ HMC	Others	Eliminations	Total
External customers	1,473,143	963,130	3,398,933	3,168,874	334,210	-	-	9,338,290
Inter-segment revenues	-	-	-	-	49,029	210,159	(259,188)	-
Total revenues	1,473,143	963,130	3,398,933	3,168,874	383,239	210,159	(259,188)	9,338,290
Cost of sales	417,386	190,986	714,920	1,005,221	-	-	-	2,328,513
Cost of services	-	-	-	-	188,915	-	-	188,915
Shipping and loading costs	205,370	66,690	258,874	194,063	20,536	-	-	745,533
Excise taxes and royalties	103,120	115,576	271,915	63,377	-	-	-	553,988
Marketing	7,445	38,525	8,951	-	-	-	-	54,921
Segment operating earnings	739,822	551,353	2,144,273	1,906,213	173,788	210,159	(259,188)	5,466,420
General and administrative	89,654	10,503	68,106	43,485	1,730	170,947	-	384,425
Finance income	3,154	755	6,420	709,338	9	36,766	-	756,442
Finance expense	-	790	772	2,977	-	71,628	-	76,167
Provision for (benefit from) income tax	208,359	144,648	606,278	570,087	23,518	(19,394)	-	1,533,496
Net income (loss) attributable to equity holders of the parent	485,615	406,558	1,063,419	1,291,608	(43,880)	96,311	-	3,299,631
Segment assets	2,044,218	1,620,412	8,834,108	7,863,738	200,573	12,384,329	-	32,947,378
Deferred income tax assets - net	82,703	70,274	63,213	4,709	-	98,044	-	318,943
Total assets	2,126,921	1,690,686	8,897,321	7,868,447	200,573	12,482,373	-	33,266,321
Segment liabilities	545,537	393,261	2,676,257	1,434,762	34,677	92,919	-	5,177,413
Deferred income tax liabilities - net	-	(1,710)	-	392,463	30,402	23,514	-	444,669
Total liabilities	545,537	391,551	2,676,257	1,827,225	65,079	116,433	-	5,622,082
Capital expenditures	210,702	162,792	294,956	97,194	3,225	27,534	-	796,403
Depreciation, amortization and depletion	78,601	37,462	267,331	240,845	13,273	34,731	-	672,243

	December 31, 2013 (Audited)							
	Mining				Services and Others			
	HMC	CMC	TMC	RTN	RTN/TMC/LCSLC	Others	Eliminations	Total
External customers	3,438,856	737,906	3,109,101	3,189,634	623,942	10,090	-	11,109,529
Inter-segment revenues	-	-	-	-	72,637	434,953	(507,590)	-
Total revenues	3,438,856	737,906	3,109,101	3,189,634	696,579	445,043	(507,590)	11,109,529
Cost of sales	927,692	422,058	1,122,846	2,016,698	-	-	-	4,489,294
Cost of services	-	-	-	-	335,292	-	-	335,292
Shipping and loading costs	444,164	141,109	457,029	268,847	87,622	-	-	1,398,771
Excise taxes and royalties	240,720	95,368	248,728	63,792	-	-	-	648,608
Marketing	21,065	28,228	4,462	11,874	-	-	-	65,629
Segment operating earnings	1,805,215	51,143	1,276,036	828,423	273,665	445,043	(507,590)	4,171,935
General and administrative	66,117	34,038	110,899	111,172	12,156	290,437	-	624,819
Finance income	14,332	2,515	15,683	49,750	12	84,461	-	166,753
Finance expense	5,327	3,450	7,007	6,896	2,267	103,351	-	128,298
Provision for (benefit from) income tax	516,384	(8,787)	350,677	247,190	7,589	11,162	-	1,124,215
Net income (loss) attributable to equity holders of the parent	1,473,262	21,554	640,531	595,162	(98,064)	(578,771)	-	2,053,674
Segment assets	1,943,798	954,295	6,708,837	7,740,945	263,195	10,958,015	-	28,569,085
Deferred income tax assets - net	97,366	93,381	58,458	4,709	-	90,529	-	344,443
Total assets	2,041,164	1,047,676	6,767,295	7,745,654	263,195	11,048,544	-	28,913,528
Segment liabilities	419,751	152,185	1,970,952	547,866	5,270	119,488	-	3,215,512
Deferred income tax liabilities - net	-	-	-	423,608	31,830	30,790	-	486,228
Total liabilities	419,751	152,185	1,970,952	971,474	37,100	150,278	-	3,701,740
Capital expenditures	346,186	114,084	1,256,229	129,461	28,009	57,156	-	1,931,125
Depreciation, amortization and depletion	123,760	72,484	336,736	488,985	174,003	66,683	-	1,262,651

	June 30, 2013 (Unaudited)							
	Mining				Services and Others			
	HMC	CMC	TMC	RTN	RTN/TMC/LCSLC	Others	Eliminations	Total
External customers	1,319,847	84,405	1,012,345	1,726,670	231,675	8,764	-	4,383,706
Inter-segment revenues	-	-	-	-	38,477	86,644	(125,121)	-
Total revenues	1,319,847	84,405	1,012,345	1,726,670	270,152	95,408	(125,121)	4,383,706
Cost of sales	384,377	122,009	512,760	921,119	-	85,015	-	2,025,280
Cost of services	-	-	-	-	130,333	-	-	130,333
Shipping and loading costs	166,859	37,593	135,697	139,676	57,691	-	-	537,516
Excise taxes and royalties	92,389	13,294	80,988	34,533	-	-	-	221,204
Marketing	5,736	1,056	-	5,388	-	-	-	12,180
Segment operating earnings	670,486	(89,547)	282,900	625,954	82,128	10,393	(125,121)	1,457,193
General and administrative	24,063	21,956	44,723	48,627	5,514	137,023	-	281,906
Finance income	4,098	1,678	9,954	26,431	7	48,966	-	91,134
Finance expense	-	-	378	3,743	-	48,314	-	52,435
Provision for (benefit from) income tax	176,106	(301)	64,645	174,414	-	(46,197)	-	368,667
Net income (loss) attributable to equity holders of the parent	535,048	(100,495)	110,736	385,371	(52,986)	(242,066)	-	635,608
Segment assets	2,245,516	1,075,516	6,165,957	7,444,637	264,873	10,365,068	-	27,561,567
Deferred income tax assets - net	126,381	76,509	44,128	-	10,333	119,744	-	377,095
Total assets	2,371,897	1,152,025	6,210,085	7,444,637	275,206	10,484,812	-	27,938,662
Segment liabilities	566,078	199,860	1,968,853	520,286	63,926	99,364	-	3,418,367
Deferred income tax liabilities - net	3,444	-	-	420,902	33,257	83,415	-	541,018
Total liabilities	569,522	199,860	1,968,853	941,188	97,183	182,779	-	3,959,385
Capital expenditures	305,343	92,655	697,169	116,002	20,206	32,778	-	1,264,153
Depreciation, amortization and depletion	48,939	39,623	190,356	274,169	19,992	31,985	-	605,064

The Group has revenues from external customers as follows:

	For the six-month period ended June 30	
	2014	2013
Country of Domicile	(Unaudited)	
China	**₱5,441,454**	₱2,788,747
Japan	**2,006,067**	712,836
Local	**1,890,769**	882,123
	₱9,338,290	₱4,383,706

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

Revenue arising from sale of ores from two key customers amounted to ₱4,558.6 million and ₱1,887.8 million for the six-month period ended June 30, 2014 and 2013, respectively.

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 ₱6,683.8 million and ₱6,614.8 million as at June 30, 2014 and December 31, 2013, respectively.

31. **Reclassification**

Certain 2013 expense items were reclassified to conform to the presentation of the 2014 financial statements.