111092016000480

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	CS200811530
Company Name	NICKEL ASIA CORPORATION
Industry Classification	Nickel Ore Mining
Company Type	Stock Corporation

Document Information

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COVER SHEET

CS200811530

SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

28th Floor NAC Tower, 32nd Street Bonifacio Global City, Taguig City

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

EMMANUEL L. SAMSON

(Contact Person)

892-6669 / 892-4177

(Company Telephone Number)

12	31	17-Q	06	1st Friday
Month	*Day*	(Form Type)	*Month*	*Day*
(Calendar Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

82	₱4,743.4 million	₱65.2 million
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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S.E.C. Number CS200811530
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

28th Floor NAC Tower, 32nd Street,
Bonifacio Global City, Taguig City
(Company's Address)

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

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

SEC FORM 17-Q Quarterly Report
Form Type

____
Amendment Delegation (If applicable)

For the Quarter Ended
September 30, 2016
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: **SEPTEMBER 30, 2016**
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
   28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City — **1634**
8. Issuer's telephone number, including area code: **+63 2 892 6669 / +63 2 892 4177**
9. Former name, former address, and former fiscal year, if changed since last report.
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**7,596,939,456 shares**
Long-term Debt	**Php4,628.6 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 CORP.

November 9, 2016

Ms. Janet A. Encarnacion
Disclosure Department
The Philippine Stock Exchange Inc.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Atty. Justina F. Callangan
Corporation Finance Department
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills
Mandaluyong City

Re : SEC Form 17-Q 2016 3rd 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 September 30, 2016.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP - Chief Financial Officer

NICKEL ASIA CORP.

NICKEL ASIA CORPORATION

17-Q QUARTERLY REPORT

SEPTEMBER 30, 2016

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PART I – FINANCIAL INFORMATION

Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2016 (with Comparative Audited Statement of Financial Position as at December 31, 2015) and for the nine-month period ended September 30, 2016 and 2015 are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2016 and 2015 and as at September 30, 2016 and December 31, 2015:

Summary Consolidated Statements of Income

	For the Quarter Ended September 30		Increase	Percent
	2016	2015	(Decrease)	Inc (Dec)
	(In Thousand Pesos)			
Revenues	10,599,162	13,106,677	(2,507,515)	-19%
Cost and expenses	(7,885,638)	(8,393,458)	(507,820)	-6%
Finance income	172,271	192,746	(20,475)	-11%
Finance expenses	(217,333)	(112,046)	105,287	94%
Equity in net losses of associates	(561,320)	(163,544)	(397,776)	-243%
Other income - net	347,657	392,671	(45,014)	-11%
Provision for income tax - net	(968,335)	(1,547,431)	(579,096)	-37%
Net income	1,486,464	3,475,615	(1,989,151)	-57%
Net income attributable to:				
Equity holders of the parent	979,629	2,492,110	(1,512,481)	-61%
Non-controlling interests	506,835	983,505	(476,670)	-48%
	1,486,464	3,475,615	(1,989,151)	-57%

Summary Consolidated Statements of Financial Position

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	18,722,239	16,677,942	2,044,297	12%
Noncurrent assets	25,171,234	24,968,266	202,968	1%
Total assets	43,893,473	41,646,208	2,247,265	5%
Current liabilities	7,913,174	7,713,231	199,943	3%
Noncurrent liabilities	5,677,570	4,519,789	1,157,781	26%
Equity attributable to equity holders of the Parent	26,209,579	25,511,873	697,706	3%
Non-controlling interests	4,093,150	3,901,315	191,835	5%
Total liabilities and equity	43,893,473	41,646,208	2,247,265	5%
	-	-		

Summary Consolidated Statements of Cash Flows

	For the Quarter Ended September 30		Increase (Decrease)	Percent Inc (Dec)
	2016	2015		
	(In Thousand Pesos)			
Net cash flows from (used in):				
Operating activities	3,081,671	4,133,808	(1,052,137)	-25%
Investing activities	(2,734,152)	(6,166,624)	(3,432,472)	-56%
Financing activities	(194,402)	(2,671,361)	(2,476,959)	-93%
Net increase (decrease) in cash and cash equivalents	153,117	(4,704,177)	4,857,294	-103%
Cash and cash equivalents, beginning	7,073,171	13,561,803	(6,488,632)	-48%
Cash and cash equivalents, end	7,226,288	8,857,626	(1,631,338)	-18%

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 nine months ended September 30, 2016 and 2015, 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.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Revenues

Our total revenues were ₱10,599.2 million for the nine months ended September 30, 2016 compared to ₱13,106.7 million for the nine months ended September 30, 2015, a decrease of ₱2,507.5 million or 19%.

Sale of ore
As of third quarter of 2016, we sold an aggregate 15,181.6 thousand wet metric tons (WMT) of nickel ore compared to 15,963.2 thousand WMT of nickel ore as of third quarter of 2015. Our sales for this period included 5,665.5 thousand WMT of saprolite ore sold to our customers in Japan, China and Australia, 4,077.4 thousand WMT of limonite ore to our customers in China and Australia and 5,438.7 thousand WMT of limonite ore to Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THNC) compared to sales of 6,017.1 thousand WMT, 4,323.0 thousand WMT and 5,623.1 thousand WMT, respectively, in the same period last year.

The drop in sales volumes is the result of a delayed start of shipments from our Hinatuan and Cagdianao mines brought about by a prolonged rainy season and resulting sea swells in northeastern Mindanao, where the two mines are located, and a temporary reduction in the deliveries of limonite ore to the Taganito HPAL plant. As a result of the decline in shipment volumes coupled with the continuing weakness in nickel ore prices, the Group's estimated value of nickel ore shipments fell to ₱9,940.7 million as of third quarter of 2016 from ₱12,294.7 million in 2015.

The estimated realized nickel price on 9,742.9 thousand WMT of ore sales to customers in Japan, China and Australia as of third quarter of the year averaged $19.20 per WMT compared to an average of $22.70 per WMT realized on 10,340.1 thousand WMT during the same period last year.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito processing plants, which are linked to London Metal Exchange (LME) prices, the Group realized an average of $4.19 per pound of payable nickel on 5,438.7 thousand WMT sold for the first three quarters of the year. This compares to an average price of $5.74 per pound of payable nickel on 5,623.1 thousand WMT sold during the comparable period last year. The lower volumes compared to the prior year was due to remedial work conducted over a one month period at the Taganito HPAL plant, which reduced ore delivery from the Company's Taganito mine. The work was completed in May 2016 and the plant has since resumed operations at full capacity.

On a per mine basis, Taganito mine accounted for 43% of total shipments. The mine shipped a total of 2,126.3 thousand WMT of saprolite ore and 4,366.7 thousand WMT of limonite ore, including 2,820.8 thousand WMT of ore delivered to the Taganito HPAL plant. The comparable figures for last year were 2,339.6 thousand WMT, 3,918.1 thousand WMT and 3,104.7 thousand WMT, respectively.

The Rio Tuba mine accounted for 30% of total shipments, which consisted of 1,467.0 thousand WMT of saprolite ore and 3,052.6 thousand WMT of limonite ore, including 2,617.9 thousand WMT of ore delivered to the Coral Bay HPAL plant. For the comparable period last year, Rio Tuba sold 2,506.4 thousand WMT of saprolite ore and 2,518.4 thousand WMT of limonite ore, which were all delivered to the Coral Bay plant. The drop in ore shipments was mainly due to a change in the ore grade mix brought about by the impact of lower ore prices.

Shipments from the Hinatuan mine were 2,481.9 thousand WMT in 2016 compared to 2,719.1 thousand WMT in 2015, while the Cagdianao mine shipped 1,687.2 thousand WMT in 2016 versus 1,961.5 thousand WMT last year due to the aforementioned delay in the start of the shipment season.

RTN's revenue from sale of limestone ore was ₱257.8 million for the nine months of 2016 compared to ₱319.4 million during the same period last year, a decrease of ₱61.6 million or 19%. The decrease was attributable to the 93.9 thousand WMT or 20% decline in limestone sales as of third quarter of 2016 compared to the same period last year.

Services and Others

Our revenue from services and others was ₱400.7 million for the nine months of 2016 compared to ₱492.6 million for the same period last year, a decrease of ₱91.9 million, or 19%. 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 decline in service revenue was significantly attributable to the 20% drop in volume handled by TMC.

Costs and Expenses

Our costs and expenses amounted to ₱7,885.6 million for the nine months ended September 30, 2016 compared to ₱8,393.5 million for the nine months ended September 30, 2015, a decrease of ₱507.9 million, or 6%.

Cost of Sales

For the first three quarters of 2016, our cost of sales was ₱4,640.6 million compared to ₱4,928.8 million in the same period last year, a decrease of ₱288.2 million, or 6%. Decrease in cost of sales was attributable to the 5% decline in shipment volume caused by prolonged rainy season and temporary reduction of limonite ore deliveries to Taganito HPAL plant. In addition, there was a reduction in cost of fuel due to the significant drop in fuel price. Contractor's fee also decreased because of lesser saprolite movement and the two conveyors of TMC were already operational, thus hauling of ore by truck had been minimized.

Cost of Services

Cost of services were ₱300.6 million as of third quarter of 2016 compared to ₱268.2 million as of third quarter of 2015, an increase of ₱32.4 million, or 12%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. The increase in cost of services was attributable to the power plant operations and maintenance cost of EPI which amounted to ₱59.4 million. However, the said increase was partially offset by the 20% decrease in volume handled by TMC which resulted to a decrease in cost.

Shipping and Loading

Shipping and loading costs were ₱1,514.0 million for the nine months ended September 30, 2016 compared to ₱1,501.9 million in the same comparable period last year. And there was only a minimal increase of 1% in shipping and loading cost.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱777.8 million for the nine months ended September 30, 2016 compared to ₱942.9 million in the same period last year, a decrease of ₱165.1 million, or 18%. The decrease in excise taxes and royalties was attributable to the 19% decline in our sale of nickel and limestone ore during the period.

Marketing
Marketing costs were ₱74.5 million and ₱111.8 million for the first three quarters of 2016 and 2015, respectively. This pertains to the marketing fee charged by Mitsubishi Corporation to the Group and the commission paid by CMC to its claim owner which is based on a certain percentage of the latter's sales revenue. The decrease in marketing costs was attributable to the decline in sale of ore as a result of weak nickel price during the period.

General and Administrative
General and administrative expenses were ₱578.1 million for the first three quarters of 2016 compared to ₱639.8 million for the first three quarters of 2015, a decrease of ₱61.7 million, or 10%. The movement in general and administrative expenses pertains mainly to the first half expenses of the subsidiaries acquired in third quarter of 2015, Geogen Corporation and Emerging Power Inc. (EPI) group, amounting to a total of ₱108.6 million. However, the said increase in general and administrative expenses was partially offset by the decrease in depreciation of around ₱30.6 million due to full depreciation of Learjet in third quarter of 2015. Also in 2015, SEC filing fees of ₱15.1 million was paid by the Parent Company for the increase in its authorized capital stock while there was none in 2016. Local business taxes paid in 2015 were also higher since the basis used was revenue of 2014.

<u>Finance Income</u>
Our finance income were ₱172.3 million for the first three quarters of 2016 compared to ₱192.7 million for the first three quarters of 2015, a decrease of ₱20.4 million, or 11%. In 2015, the Group recognized a gain from sale of its AFS financial assets amounting to ₱23.9 million compared to a gain of ₱11.6 million in 2016. In addition, day 1 gain and accretion income amounting to a total of ₱6.1 million, which pertains to the convertible loan to EPI, was also recognized in 2015.

<u>Finance Expenses</u>
Our finance expenses were ₱217.3 million for the first three quarters of 2016 compared to ₱112.0 million for the first three quarters of 2015, an increase of ₱105.3 million, or 94%. Interest expense significantly increased by ₱109.2 million due to bank loans obtained by EPI and Jobin SQM, Inc. (Jobin). Also, the management fee for managed accounts increased by ₱5.2 million as compared to last year. The increase was partially offset by the decrease in guarantee service fee by ₱9.2 million due to decrease in NAC's deemed equity in THPAL from 22.5% to 10%.

<u>Equity in Net Losses of Associates</u>
Our equity in net losses of THNC and CBNC was ₱561.3 million and ₱163.5 million for the first three quarters of 2016 and 2015, respectively. The net loss of THNC and CBNC's operations in 2016 was US$42.8 million and US$23.4 million, respectively, compared to US$14.7 million and US$3.2 million in 2015, respectively. The net loss of THNC and CBNC in 2016 was caused by continuing weakness in nickel ore price during the period.

<u>Other Income - Net</u>
Our other income - net for the nine months ended September 30, 2016 were ₱347.7 million compared to ₱392.7 million in the same period last year, a decrease of ₱45.0 million, or 11%. The decrease was due to demurrage incurred during the period of ₱18.2 million compared to despatch of ₱38.4 million in the same period last year. Foreign exchange gains also decreased by ₱30.8 million due to weakening value of peso and reversal of allowance for impairment losses on beneficiated

nickel ore inventory was lower by ₱18.8 million this period compared to last year. However, the decrease was slightly offset by the ₱17.8 million increase in dividend income from AFS financial assets.

Provision for Income Tax
The provision for income tax was ₱968.3 million for the nine months ended September 30, 2016 compared to ₱1,547.4 million in the same period last year, a decrease of ₱579.1 million, or 37%.

Our current provision for income tax for the first three quarters of 2016 was ₱973.2 million compared to ₱1,477.2 million in the same period last year, a decrease of ₱504.0 million, or 34% primarily due to the decrease in our taxable income brought by lower sales revenue in 2016.

Net Income
As a result of the foregoing, our consolidated net income was ₱1,486.5 million for the nine months ended September 30, 2016 compared to ₱3,475.6 million for the nine months ended September 30, 2015. Net of non-controlling interests, our net income was ₱979.6 million for the first three quarters of 2016 compared to ₱2,492.1 million for the first three quarters of 2015, a decrease of ₱1,512.5 million, or 61%.

Statement of Financial Position
As at September 30, 2016, total assets increased to ₱43,893.5 million from ₱41,646.2 million as of the end of 2015. Current assets increased to ₱18,722.2 million from ₱16,677.9 million mainly because of the increase in trade and other receivables by ₱954.7 million, prepaid royalty by ₱140.0 million, input tax by ₱16.8 million, and net acquisitions of AFS financial assets of ₱701.2 million. However, this was partially offset by the decrease in inventories by ₱146.9 million.

The increase in noncurrent assets from ₱24,968.3 million to ₱25,171.2 million arise from the additional investment in geothermal exploration and evaluation assets of ₱550.9 million and other project developments of Jobin of ₱247.8 million. However, this was partially offset by the decrease in our investment in associates by ₱382.0 million, as a result of the equity take up of THNC and CBNC's net losses and cumulative translation adjustments, and decrease in long-term stockpile inventory due to ore delivery to CBNC during the period which amounted to ₱154.9 million.

Total current liabilities increased to ₱7,913.2 million as at September 30, 2016 from ₱7,713.2 million as at December 31, 2015 due to increase in income tax payable by ₱408.2 million and amounts owed to related parties by ₱87.2 million. The increase was partially offset by the decrease in trade and other payables by ₱299.2 million due to payment of cash dividends in January 2016. Total noncurrent liabilities increased to ₱5,677.6 million as at September 30, 2016 from ₱4,519.8 million as at December 31, 2015 due to additional ₱890.0 million and ₱300.0 million bank loans of EPI and Jobin, respectively.

Our equity net of non-controlling interests as at September 30, 2016 increased to ₱26,209.6 million from ₱25,511.9 million as of year-end 2015, due to the net effect of the net income attributable to equity holders of the parent and cash dividends paid during the first half of 2016.

Statement of Cash Flows

Net cash from operating activities in 2016 amounted to ₱3,081.7 million compared to ₱4,133.8 million in 2015. The decrease in cash from operations was due to lower sales revenue in the current period as a result of continuing decline in nickel prices.

Net cash used in investing activities for the first three quarters of 2016 and 2015 amounted to ₱2,734.2 million and ₱6,166.6 million, respectively. The net cash outflows in 2015 arise mainly from the net acquisitions of AFS financial assets and property and equipment which amounted to ₱3,286.4 million and ₱1,630.5 million, respectively, and this compares to ₱717.6 million and ₱1,359.4 million, respectively, for the same period this year. Aside from that ₱782.4 million was used to acquire subsidiaries in 2015.

In 2016 and 2015, the net cash flows used in financing activities arise mainly from payments of cash dividends, long-term debt and interest. However, the cash outflow was partially offset by the bank loan proceeds received by EPI and Jobin.

As at September 30, 2016 and 2015, cash and cash equivalents amounted to ₱7,226.3 million and ₱8,857.6 million, respectively.

TOP FIVE KEY PERFORMANCE INDICATORS

1) ***SALES VOLUME***

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

Type and Grade of Ore that we Mine

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

For the three quarters of 2016 and 2015, we sold an aggregate of 15,181.6 thousand WMT and 15,963.2 thousand WMT, respectively.

2) CASH OPERATING COST PER VOLUME SOLD

The cash operating cost per volume of ore sold provides a cost profile for each operating mine and allows us to measure and compare operating performance as well as changes in per unit costs from period to period.

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

The average cash operating cost per volume sold for the nine months of 2016 was ₱400.01 per WMT on the basis of aggregate cash costs of ₱6,072.9 million and a total sales volume of 15,181.6 thousand WMT of ore. This compares to ₱439.10 per WMT during the same period in 2015 on the basis of aggregate cash costs of ₱7,009.5 million and a total sales volume of 15,963.2 thousand WMT of ore.

3) ATTRIBUTABLE NET INCOME

Attributable net income represents the portion of consolidated profit or loss for the period, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company for the first three quarters of 2016 was ₱979.6 million compared to ₱2,492.1 million in the same period last year.

4) NUMBER OF HECTARES REHABILITATED/REFORESTED

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. To manage environmental impacts, the Company's subsidiaries have an Environmental Protection and Enhancement Program (EPEP). This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. A major component under our EPEP is the rehabilitation and reforestation of the areas affected by our mining operations. We also participate in the government's National Greening Program where we plant trees and/or donate seedlings outside of our mining properties. For the three quarters of 2016 and 2015, the Group has rehabilitated and reforested a total of 149.22 hectares and 159.26 hectares, respectively, with corresponding number of trees planted of about 293,208 and 508,359, respectively.

5) FREQUENCY RATE

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations. We measure our safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the period. As of third quarter of 2016 and 2015, our frequency rate was 0.06 and 0.05, respectively.

Liquidity and Capital Resources

As of September 30, 2016 and December 31, 2015, our principal source of liquidity was cash from our operations. We incurred long-term debt to finance the construction of our Rio Tuba and Taganito pier facilities. We receive income from CBNC and THNC under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for the use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt. In addition, we also incurred long-term debt to finance the project development costs of Jobin and the geothermal exploration and evaluation assets of Mindoro Geothermal Power Corporation (MGPC) and Biliran Geothermal Inc. (BGI). Any revenue that will be earned by Jobin, MGPC and BGI upon start of their commercial operations will be used to pay-off the debt.

As of September 30, 2016 and December 31, 2015, our working capital, defined as the difference between our current assets and current liabilities, was ₱10.8 billion and ₱9.0 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 and to finance EPI's project development costs. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

Qualitative and Quantitative Disclosures about Market Risk

Commodity Price Risk

The price of nickel is subject to fluctuations driven primarily by changes in global demand and global production of similar and competitive mineral products. This therefore required us to change the pricing mechanism on our sales of saprolite ore to our Japanese customers, which was traditionally linked to LME prices. Effective April 1, 2014, the pricing of saprolite ore to Japan was therefore changed to a negotiated price per WMT of ore, similar to the pricing of ore to China. The price of limonite ore is closely correlated to international iron ore price index. The prices of nickel ore delivered to CBNC and THNC are determined based on a payable percentage of the nickel contained in the ore delivered and a formula related to LME prices over the period the nickel ore was delivered. To mitigate the impact of such price movements, the Company may opt to enter into commodity put option contracts.

Foreign Currency Risk

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

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

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

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

Nickel Ore Trade and Currency Exchange Rates
Nickel ore in the country is mainly exported to China and Japan. The Philippines accounted for almost 100% of nickel ore imports to China.

Nickel ore trade turned into a very difficult time in 2015 due to the continuous decline of LME nickel price driven by continuous increase of LME nickel inventory. This is mainly due to the weak nickel consumption in China as well as outside China.

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

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

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

Material Commitment for Capital Expenditures
For the development of the 25 MW Solar Power expansion, Jobin has contracted various parties for the supply and construction requirements of the solar farm. For the civil, mechanical and electrical works, the company contracted JAMJLE Properties (Subic) and Development Corporation. Solar panels for this phase of the project will be supplied by Trina Solar Energy Development Pte. Ltd., and the inverter station by Sungrow Power Supply Co. Ltd. The supply and delivery of short lead items was contracted with Sunsource Energy. The expansion will be financed using funds from NAC and other shareholders of EPI.

Off-balance Sheet Arrangements
Under the Suretyship Agreement executed by and between the Parent Company and SBC on August 4, 2015, the Parent Company solidarily with EPI guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC.

Other than the Suretyship Agreement mentioned above, we have not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

Known Trends, Events, or Uncertainties

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

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

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

PART II – FINANCIAL SOUNDNESS INDICATORS

Please refer to the attached schedule.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
PART II - FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
A. *Liquidity analysis ratios*		
Current ratio or working capital ratio	**2.37**	7.54
Quick ratio	**1.90**	6.06
Solvency ratio	**3.23**	5.72
B. *Financial leverage ratios*		
Debt ratio	**0.31**	0.17
Debt-to-equity ratio	**0.45**	0.21
Asset-to-equity ratio	**1.45**	1.21
Interest coverage ratio	**18.33**	172.67
C. *Profitability ratios*		
Net profit margin	**0.14**	0.27
Return on assets	**0.03**	0.09
Return on equity	**0.05**	0.11
Gross profit margin	**0.53**	0.60
Price/earnings ratio	**55.38**	19.39

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

November 9, 2016

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

November 9, 2016

NICKEL ASIA CORPORATION
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SEPTEMBER 30, 2016

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016
(With Comparative Audited Figures as at December 31, 2015)
(Amounts in Thousands)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱7,226,288**	₱7,073,171
Trade and other receivables (Note 5)	**1,907,454**	962,151
Inventories (Note 6)	**3,064,352**	3,211,269
Available-for-sale (AFS) financial assets (Note 7)	**5,927,823**	5,013,919
Prepayments and other current assets	**596,322**	417,432
Total Current Assets	**18,722,239**	16,677,942
Noncurrent Assets		
Property and equipment (Note 8)	**9,290,734**	9,074,089
Geothermal exploration and evaluation assets (Note 9)	**6,387,531**	6,114,914
Investments in associates (Note 10)	**4,382,108**	4,764,087
AFS financial assets - net of current portion (Note 7)	**832,187**	817,118
Long-term stockpile inventory - net of current portion (Note 11)	**413,953**	584,740
Deferred income tax assets - net	**112,714**	153,260
Other noncurrent assets	**3,752,007**	3,460,058
Total Noncurrent Assets	**25,171,234**	24,968,266
TOTAL ASSETS	**₱43,893,473**	₱41,646,208
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12 and 28)	**₱6,913,646**	₱7,125,713
Short-term debt (Note 13)	**180,000**	180,000
Income tax payable	**522,118**	113,939
Current portion of long-term debt (Note 13)	**128,331**	124,521
Other current liability	**169,079**	169,058
Total Current Liabilities	**7,913,174**	7,713,231
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	**4,500,315**	3,357,733
Provision for mine rehabilitation and decommissioning (Note 14)	**172,391**	169,926
Deferred income - net of current portion	**67,279**	67,039
Long-term payable	**28,545**	27,641
Deferred income tax liabilities - net	**651,927**	647,371
Pension liability	**257,113**	250,079
Total Noncurrent Liabilities	**5,677,570**	4,519,789
Total Liabilities	**13,590,744**	12,233,020
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	**3,805,670**	3,805,670
Additional paid-in capital	**8,284,767**	8,284,767
Other components of equity:		
Share in cumulative translation adjustment (Note 10)	**568,016**	406,609
Cost of share-based payment plan (Note 16)	**123,364**	104,824
Net valuation gains (losses) on AFS financial assets (Note 7)	**11,418**	(134,467)
Asset revaluation surplus	**32,576**	32,863
Retained earnings		
Unappropriated	**12,383,768**	12,011,607
Appropriated (Note 15)	**1,000,000**	1,000,000
	26,209,579	25,511,873
Non-controlling Interests (NCI)	**4,093,150**	3,901,315
Total Equity	**30,302,729**	29,413,188
TOTAL LIABILITIES AND EQUITY	**₱43,893,473**	₱41,646,208

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Thousands, Except Earnings per Share)

	2016	2015
	(Unaudited)	
REVENUES (Note 28)		
Sale of ore	**₱4,946,170**	₱4,956,736
Services and others	**136,010**	178,540
	5,082,180	5,135,276
COSTS AND EXPENSES		
Cost of sales (Note 18)	**1,915,312**	1,745,581
Cost of services (Note 19)	**134,446**	82,302
Shipping and loading costs (Note 20)	**703,239**	594,752
General and administrative (Note 21)	**188,465**	263,399
Excise taxes and royalties (Note 22)	**407,890**	426,946
Marketing	**45,021**	59,695
	3,394,373	3,172,675
FINANCE INCOME (Note 25)	**66,406**	51,872
FINANCE EXPENSES (Note 26)	**(58,166)**	(45,145)
EQUITY IN NET LOSSES OF ASSOCIATES (Note 10)	**(76,975)**	(223,721)
OTHER INCOME - Net (Note 27)	**213,549**	259,578
INCOME BEFORE INCOME TAX	**1,832,621**	2,005,185
PROVISION FOR INCOME TAX (Note 29)		
Current	**563,806**	586,563
Deferred	**33,549**	117,301
	597,355	703,864
NET INCOME	**₱1,235,266**	₱1,301,321
Net income attributable to:		
Equity holders of the parent	**₱955,208**	₱1,001,729
NCI	**280,058**	299,592
	₱1,235,266	₱1,301,321
Earnings per share (EPS; Note 17)		
Basic	**₱0.13**	₱0.13
Diluted	**₱0.13**	₱0.13

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Thousands, Except Earnings per Share)

	2016	2015
	(Unaudited)	
REVENUES (Note 28)		
Sale of ore	**₱10,198,470**	₱12,614,086
Services and others	**400,692**	492,591
	10,599,162	13,106,677
COSTS AND EXPENSES		
Cost of sales (Note 18)	**4,640,591**	4,928,783
Cost of services (Note 19)	**300,638**	268,239
Shipping and loading costs (Note 20)	**1,513,977**	1,501,934
General and administrative (Note 21)	**578,082**	639,845
Excise taxes and royalties (Note 22)	**777,828**	942,878
Marketing	**74,522**	111,779
	7,885,638	8,393,458
FINANCE INCOME (Note 25)	**172,271**	192,746
FINANCE EXPENSES (Note 26)	**(217,333)**	(112,046)
EQUITY IN NET LOSSES OF ASSOCIATES (Note 10)	**(561,320)**	(163,544)
OTHER INCOME - Net (Note 27)	**347,657**	392,671
INCOME BEFORE INCOME TAX	**2,454,799**	5,023,046
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)		
Current	**973,219**	1,477,151
Deferred	**(4,884)**	70,280
	968,335	1,547,431
NET INCOME	**₱1,486,464**	₱3,475,615
Net income attributable to:		
Equity holders of the parent	**₱979,629**	₱2,492,110
NCI	**506,835**	983,505
	₱1,486,464	₱3,475,615
Earnings per share (Note 17)		
Basic	**₱0.13**	₱0.33
Diluted	**₱0.13**	₱0.33

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Thousands)

	2016	2015
	(Unaudited)	
NET INCOME	**₱1,486,464**	₱3,475,615
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:		
Share in translation adjustment of associates	**161,407**	278,342
Net valuation gains (losses) on AFS financial assets	**145,885**	(255,359)
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	**307,292**	22,983
Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:		
Asset revaluation surplus	**(287)**	(287)
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	**307,005**	22,696
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱1,793,469**	₱3,498,311
Total comprehensive income attributable to:		
Equity holders of the parent	**₱1,286,634**	₱2,514,806
NCI	**506,835**	983,505
	₱1,793,469	₱3,498,311

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										
							Retained Earnings				
	Capital Stock (Note 15)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 16)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment (Note 10)	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 15)	Total	NCI	Total
Balances at December 31, 2015	**₱3,805,670**	**₱8,284,767**	**₱104,824**	**(₱134,467)**	**₱406,609**	**₱32,863**	**₱12,011,607**	**₱1,000,000**	**₱25,511,873**	**₱3,901,315**	**₱29,413,188**
Net income	–	–	–	–	–	–	**979,629**	–	**979,629**	**506,835**	**1,486,464**
Other comprehensive income (loss)	–	–	–	**145,885**	**161,407**	**(287)**	–	–	**307,005**	–	**307,005**
Total comprehensive income (loss)	–	–	–	**145,885**	**161,407**	**(287)**	**979,629**	–	**1,286,634**	**506,835**	**1,793,469**
Cost of share-based payment plan (Note 16)	–	–	**18,540**	–	–	–	–	–	**18,540**	–	**18,540**
Cash dividends - ₱0.08 per common share (Note 15)	–	–	–	–	–	–	**(607,755)**	–	**(607,755)**	–	**(607,755)**
Share of non-controlling interest in cash dividends of subsidiaries	–	–	–	–	–	–	–	–	–	**(315,000)**	**(315,000)**
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	**287**	–	**287**	–	**287**
Balances at September 30, 2016 (Unaudited)	**₱3,805,670**	**₱8,284,767**	**₱123,364**	**₱11,418**	**₱568,016**	**₱32,576**	**₱12,383,768**	**₱1,000,000**	**₱26,209,579**	**₱4,093,150**	**₱30,302,729**

See accompanying Notes to Unaudited Consolidated Financial Statements.

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings				
	Capital Stock	Stock Dividends Distributable (Note 15)	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains (Losses) on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 15)	Total	NCI	Total
Balances at December 31, 2014	₱1,272,495	₱632,648	₱8,273,655	₱47,060	₱171,322	₱82,154	₱33,246	₱15,673,051	₱1,000,000	₱27,185,631	₱3,716,715	₱30,902,346
Net income	–	–	–	–	–	–	–	2,492,110	–	2,492,110	983,505	3,475,615
Other comprehensive income (loss)	–	–	–	–	(255,359)	278,342	(287)	–	–	22,696	–	22,696
Total comprehensive income (loss)	–	–	–	–	(255,359)	278,342	(287)	2,492,110	–	2,514,806	983,505	3,498,311
Cost of share-based payment plan	–	–	–	36,814	–	–	–	–	–	36,814	–	36,814
Stock dividends (Note 15)	2,531,883	(632,648)	–	–	–	–	–	(1,899,235)	–	–	–	–
Cash dividends - ₱1.00 per common share (Note 15)	–	–	–	–	–	–	–	(3,795,885)	–	(3,795,885)	–	(3,795,885)
Exercise of stock options (Note 16)	1,292	–	11,112	–	–	–	–	–	–	12,404	–	12,404
Share of non-controlling interest in cash dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	(505,000)	(505,000)
Share of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	369,514	369,514
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	–	287	–	287	–	287
Balances at September 30, 2015 (Unaudited)	₱3,805,670	₱–	₱8,284,767	₱83,874	(₱84,037)	₱360,496	₱32,959	₱12,470,328	₱1,000,000	₱25,954,057	₱4,564,734	₱30,518,791

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Amounts in Thousands)

	2016	2015
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,454,799**	₱5,023,046
Adjustments for:		
Depreciation, amortization and depletion (Note 24)	**1,129,765**	1,073,635
Equity in net losses of associates (Note 10)	**561,320**	163,544
Interest income (Note 25)	**(160,650)**	(162,768)
Interest expense (Notes 13, 19 and 26)	**141,687**	29,259
Dividend income (Note 27)	**(31,847)**	(13,997)
Loss (gain) on:		
Sale of AFS financial assets (Notes 25 and 26)	**(11,622)**	(23,922)
Write-off of deferred mine exploration cost	**7,628**	–
Sale of property and equipment (Note 27)	**(3,232)**	(2)
Write-off of input VAT	–	2,471
Reversal of allowance for impairment losses on beneficiated nickel ore inventory (Note 27)	**(18,986)**	(37,834)
Cost of share-based payment plan (Notes 16 and 23)	**18,540**	36,814
Unrealized foreign exchange gains - net	**(16,274)**	(22,924)
Movements in pension liability	**3,941**	28,641
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 14 and 26)	**2,465**	2,316
Accretion income (Note 25)	–	(3,933)
Day 1 gain (Note 25)	–	(2,123)
Operating income before working capital changes	**4,077,534**	6,092,223
Decrease (increase) in:		
Trade and other receivables	**(904,714)**	(452,261)
Inventories	**336,690**	(98,900)
Prepayments and other current assets	**(178,890)**	(98,590)
Increase in trade and other payables	**316,091**	99,615
Net cash generated from operations	**3,646,711**	5,542,087
Income taxes paid	**(565,040)**	(1,408,279)
Net cash flows from operating activities	**3,081,671**	4,133,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
AFS financial assets (Note 7)	**(7,622,593)**	(11,983,014)
Property and equipment (Note 8)	**(1,369,474)**	(1,631,319)
Proceeds from sale of:		
AFS financial assets	**6,904,993**	8,696,617
Property and equipment	**10,051**	846
Increase in:		
Other noncurrent assets	**(299,595)**	(623,603)
Geothermal exploration and evaluation assets	**(550,864)**	(103,489)
Interest received	**161,411**	156,638
Dividends received	**31,919**	103,057
Acquisition of subsidiaries, net of cash acquired	–	(782,357)
Net cash flows used in investing activities	**(2,734,152)**	(6,166,624)

(Forward)

	2016	2015
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term debt	**₱1,190,000**	₱1,710,000
Exercise of stock options	–	12,404
Issuance of capital stock	**294,900**	–
Payments of:		
Cash dividends	**(1,472,755)**	(4,303,405)
Long-term debt	**(77,054)**	(77,053)
Rehabilitation cost	–	(670)
Interest paid	**(129,754)**	(12,877)
Increase in:		
Deferred income	**240**	240
Other current liability	**21**	–
Net cash flows used in financing activities	**(194,402)**	(2,671,361)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**153,117**	(4,704,177)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**7,073,171**	13,561,803
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30 (Note 4)	**₱7,226,288**	₱8,857,626

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. **Corporate Information**

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

On November 22, 2010, the Parent Company was listed on the Philippine Stock Exchange (PSE) with an initial public offering of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱2.67 per share after the stock dividends.

The registered office address of the Parent Company is at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

<u>The Subsidiaries</u>

Hinatuan Mining Corporation (HMC)
HMC was registered with the SEC on October 9, 1979, is a one hundred percent (100%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Hinatuan and Nonoc Islands, Surigao del Norte and Manicani Island, Eastern Samar. HMC is also engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services.

Cagdianao Mining Corporation (CMC)
CMC was registered with the SEC on July 25, 1997, is a one hundred percent (100%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Island.

Samar Nickel Mining Resources Corporation (SNMRC)
SNMRC was registered with the SEC on March 11, 2010, is a one hundred percent (100%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations.

La Costa Shipping and Lighterage Corporation (LCSLC)
LCSLC was registered with the SEC on October 23, 1992, is a one hundred percent (100%) owned subsidiary of the Parent Company through HMC, and is primarily engaged in the chartering out of LCT and providing complete marine services. LCSLC was acquired by HMC in April 2010. On May 6, 2014, the Board of Directors (BOD) of LCSLC authorized the disposal of all of its LCT and on the same date, LCSLC entered into a Deed of Absolute Sale with HMC to sell all of its LCT.

Geogen Corporation (Geogen)
Geogen was registered with the SEC on October 9, 1998, is a one hundred percent (100%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits.

Falck Exp Inc. (FEI)
FEI was registered with the SEC on November 22, 2005, is an eighty-eight percent (88%) owned subsidiary of the Parent 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. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. Final dissolution will take place after the approval of FEI's application with the SEC.

Cordillera Exploration Co., Inc. (CExCI)
CExCI was registered with the SEC on October 19, 1994, is a seventy-one and 25/100 percent (71.25%) owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. It is currently not engaged in any development or commercial production activities.

Newminco Pacific Mining Corporation (Newminco)
Newminco was registered with the SEC on October 9, 2006, is a seventy-one and 25/100 percent (71.25%) owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources.

Taganito Mining Corporation (TMC)
TMC was registered with the SEC on March 4, 1987, is a sixty-five percent (65%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. TMC also provides services which involves the handling, hauling and transportation of materials required in the processing operations of Taganito HPAL Nickel Corporation (THNC).

Rio Tuba Nickel Mining Corporation (RTN)
RTN was registered with the SEC on July 15, 1969, is a sixty percent (60%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan and providing non-mining services required in the processing operations of Coral Bay Nickel Corporation (CBNC).

Emerging Power Inc. (EPI)
EPI was registered with the SEC on October 16, 2007, is a sixty-nine and 20/100 percent (69.20%) owned subsidiary of the Parent Company and is primarily engaged in the renewable energy business.

Mindoro Geothermal Power Corporation (MGPC)
MGPC was registered with the SEC on May 7, 2014, is a sixty-nine and 20/100 percent (69.20%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in the renewable energy business.

Manta Energy Inc. (MEI)
MEI was registered with the SEC on May 21, 2007, is a sixty-nine and 20/100 percent (69.20%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users.

Biliran Holdings Inc. (BHI)
BHI was registered with the SEC on July 31, 2015, is a sixty-nine and 20/100 percent (69.20%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidences of indebtedness or securities of this or any other corporation.

Jobin-SQM, Inc. (Jobin)
Jobin was registered with the SEC on January 6, 2010, is a sixty-nine and 20/100 percent (69.20%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin was acquired by EPI on September 11, 2015.

Biliran Geothermal Inc. (BGI)
BGI was registered with the SEC on October 31, 2007, is a forty-one and 52/100 percent (41.52%) owned subsidiary of the Parent Company through EPI. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI's project, the Biliran Geothermal 25-year concession was estimated to supply 100 megawatts (MW) of power to the grid but according to research conducted by BGI, it can further produce up to 170 MW. BGI was acquired by BHI on December 17, 2015.

Mantex Services Inc. (Mantex)
Mantex was registered with the SEC on March 26, 2012, is a thirty-four and 60/100 percent (34.6%) owned subsidiary of the Parent Company through EPI. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

The interim consolidated financial statements as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 and 2015, were authorized for issuance by the Parent Company's BOD on November 7, 2016.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The accompanying interim consolidated financial statements of the Group as at September 30, 2016 and for the nine-month period ended September 30, 2016 and 2015 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Accordingly, the unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at December 31, 2015.

Basis of Consolidation

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

			Effective Ownership	
	Principal Place of Business	Principal Activities	**September 30, 2016**	September 30, 2015
Subsidiaries				
HMC	Philippines	Mining and Services	**100.00%**	100.00%
CMC	Philippines	Mining	**100.00%**	100.00%
SNMRC	Philippines	Mining	**100.00%**	100.00%
LCSLC [(a)]	Philippines	Services	**100.00%**	100.00%
Geogen	Philippines	Mining	**100.00%**	100.00%
FEI [(b)]	Philippines	Mining	**88.00%**	88.00%
CExCI	Philippines	Mining	**71.25%**	71.25%
Newminco [(c)]	Philippines	Mining	**71.25%**	–
TMC	Philippines	Mining and Services	**65.00%**	65.00%
RTN	Philippines	Mining and Services	**60.00%**	60.00%
EPI	Philippines	Renewable Energy Developer	**69.20%**	66.00%
MGPC [(d)]	Philippines	Renewable Energy Developer	**69.20%**	66.00%
MEI [(d)]	Philippines	Power Generation, Trading and Services	**69.20%**	66.00%
BHI [(d)]	Philippines	Services	**69.20%**	66.00%
Jobin [(d)]	Philippines	Power Generation	**69.20%**	66.00%
BGI [(d)]	Philippines	Power Generation	**41.52%**	–
Mantex [(d)]	Philippines	Management and Advisory Services	**34.60%**	33.00%
Associates				
THNC	Philippines	Manufacturing	**22.50%**	22.50%
CBNC	Philippines	Manufacturing	**10.00%**	10.00%

(a) Indirect ownership through HMC
(b) Indirect ownership through HMC, CMC and TMC
(c) Indirect ownership through CExCI
(d) Indirect ownership through EPI

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

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

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

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share 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 NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;

- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

Statement of Compliance
The interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015, except for the adoption of the following amendments and improvements to existing standards and interpretations, which were effective beginning January 1, 2016.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12 , *Disclosure of Interests in Other Entities* and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. It also clarifies that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entities is consolidated. All other subsidiaries of an investment entity are measured at fair value. These amendments also allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entities of an associate or joint venture to its interests in subsidiaries.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes

a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- PAS 1, *Disclosure Initiative* (Amendment)
  The amendments clarify the following:
  - The materiality requirements in PAS 1;
  - That specific line items in the statements of comprehensive income and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16*, Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants

will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27, *Separate Financial Statements* - *Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7*, Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits* - *Regional Market Issue regarding Discount Rate*
  The amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is

denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective Date to be Determined:

- Philippine Interpretation on International Financial Reporting Interpretations Committee 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 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 (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and methodology for financial assets, but will have no effect on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the effect of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue

recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019:

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces PAS 17, the current leases standard, and the related interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

After consideration of the result of the impact evaluation using the outstanding balances of financial statements as at December 31, 2015, 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 2016.

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

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand and with banks	**₱1,812,893**	₱1,535,372
Cash under managed funds	**256,785**	199,300
Short-term cash investments	**5,156,610**	5,338,499
	₱7,226,288	₱7,073,171

5. Trade and Other Receivables

Trade and other receivables amounting to ₱19.7 million and ₱19.5 million as at September 30, 2016 and December 31, 2015 were impaired and fully provided for with allowance for impairment losses.

The aging analysis of the Group's trade and other receivables as at September 30, 2016 and December 31, 2015 are summarized below:

September 30, 2016 (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 28)	**₱1,505,709**	**₱51,043**	**₱17,487**	**₱1,574,239**
Loan and notes receivable	**106,960**	–	–	**106,960**
Receivable from CBNC (see Note 28)	**32,779**	**7,672**	–	**40,451**
Interest receivable	**39,687**	–	–	**39,687**
Amounts owed by related parties (see Note 28)	**6,571**	–	–	**6,571**
Others	**143,941**	**13,092**	**2,188**	**159,221**
Total	**₱1,835,647**	**₱71,807**	**₱19,675**	**₱1,927,129**

December 31, 2015 (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 28)	₱463,904	₱94,258	₱17,323	₱575,485
Loan and notes receivable	157,896	–	–	157,896
Receivable from CBNC (see Note 28)	18,138	30,035	–	48,173
Interest receivable	40,448	–	–	40,448
Amounts owed by related parties (see Note 28)	15,964	–	–	15,964
Advances to Ludgoron	23,394	–	–	23,394
Others	118,108	6	2,188	120,302
Total	₱837,852	₱124,299	₱19,511	₱981,662

6. Inventories

As at September 30, 2016 and December 31, 2015, inventories amounting to ₱85.5 million and ₱104.5 million, respectively, were assessed to be impaired and were provided for with allowance. For the nine-month period ended September 30, 2016 and 2015, there were no provision for inventory losses, and the reversal of allowance for impairment losses on beneficiated nickel ore inventory amounted to ₱19.0 million and ₱37.8 million, respectively.

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱333.1 million and ₱423.5 million as at September 30, 2016 and December 31, 2015, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱243.4 million and ₱272.1 million as at September 30, 2016 and December 31, 2015, respectively.

7. AFS Financial Assets

The movements in AFS financial assets as at September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at January 1	**₱5,831,037**	₱2,804,429
Additions	**7,635,951**	13,393,767
Disposals	**(6,934,793)**	(10,086,770)
Effect of changes in foreign exchange rate	**49,719**	89,372
Valuation gains (losses) on AFS financial assets	**178,096**	(369,761)
	6,760,010	5,831,037
Less noncurrent portion	**832,187**	817,118
Balances at end of period	**₱5,927,823**	₱5,013,919

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, golf club shares and various debt securities which are either unquoted or with quoted market prices.

During the nine-month period ended September 30, 2016 and 2015, the Group acquired various AFS financial assets amounting to ₱7,636.0 million and ₱11,985.4 million, respectively, and disposed AFS financial assets amounting to ₱6,934.8 million and ₱8,676.9 million, respectively.

Dividend income earned from AFS financial assets amounted to ₱31.8 million and ₱14.0 million for the nine-month period ended September 30, 2016 and 2015, respectively (see Note 27).

Interest income earned from AFS financial assets amounted to ₱88.7 million and ₱75.0 million for the nine-month period ended September 30, 2016 and 2015, respectively (see Note 25).

8. Property and Equipment

During the nine-month period ended September 30, 2016 and 2015, the Group acquired assets with a cost of ₱1,369.5 million and ₱1,222.9 million, respectively, including construction in-progress.

Pier facilities (included under "Buildings and Improvements") with a carrying value of ₱47.0 million and ₱75.1 million as at September 30, 2016 and December 31, 2015, respectively, were mortgaged as collateral for the long-term debt of RTN mentioned in Note 13.

Depreciation, amortization and depletion expense for the nine-month period ended September 30, 2016 and 2015 amounted to ₱1,129.8 million and ₱1,073.6 million, respectively (see Note 24).

9. Geothermal Exploration and Evaluation Assets

Geothermal exploration and evaluation assets represent the accumulated costs incurred in connection with the exploration activities for the Mindoro and Biliran Geothermal Projects. The recovery of these costs depends upon determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities.

As at September 30, 2016 and December 31, 2015, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

10. Investments in Associates

The investments in associates pertain to the Parent Company's twenty-two and a half percent (22.5%) interest in THNC and ten percent (10%) interest in CBNC, with acquisition cost of ₱4,443.1 million and ₱724.4 million, respectively.

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
THNC	**₱3,696,474**	₱4,042,891
CBNC	**685,634**	721,196
	₱4,382,108	₱4,764,087

Movements in the investments in associates as at September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
	THNC	**CBNC**	**Total**	THNC	CBNC	Total
Acquisition cost	**₱4,443,075**	**₱724,410**	**₱5,167,485**	₱4,443,075	₱724,410	₱5,167,485
Accumulated equity in net earnings (losses):						
Balances at January 1	**(827,611)**	**(52,408)**	**(880,019)**	(177,440)	197,880	20,440
Equity in net losses	**(451,430)**	**(109,890)**	**(561,320)**	(650,171)	(161,198)	(811,369)
Dividends declared	**–**	**–**	**–**	–	(89,090)	(89,090)
	(1,279,041)	**(162,298)**	**(1,441,339)**	(827,611)	(52,408)	(880,019)
Share in cumulative translation adjustment:						
Balances at January 1	**427,427**	**49,194**	**476,621**	202,701	(86,586)	116,115
Movement	**105,013**	**74,328**	**179,341**	224,726	135,780	360,506
	532,440	**123,522**	**655,962**	427,427	49,194	476,621
Balances at end of period	**₱3,696,474**	**₱685,634**	**₱4,382,108**	₱4,042,891	₱721,196	₱4,764,087

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱87.9 million and ₱70.0 million as at September 30, 2016 and December 31, 2015, respectively.

THNC

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any and all ingredient and products and by products wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach (HPAL) facility. TMC also provide services related to the handling, hauling and transport of cargo to THNC. THNC started commercial operations in October 2013.

CBNC

CBNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on April 4, 2002. CBNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide wherein RTN has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility. The agreement provides that it will terminate until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN also supply limestone and provide ancillary services to Coral Bay HPAL facility.

The net assets of THNC and CBNC amounted to ₱15,960.4 million and ₱25,123.4 million, respectively, as at September 30, 2016 and ₱17,500.1 million and ₱25,479.0 million, respectively, as at December 31, 2015. The results of THNC and CBNC's operations were net loss of ₱2,006.4 million and ₱1,098.9 million, respectively, for the nine months ended September 30, 2016 and ₱663.0 million and ₱143.6 million, respectively, for the nine months ended September 30, 2015. The Parent Company's share in cumulative translation adjustment amounted to ₱568.0 million and ₱406.6 million as at September 30, 2016 and December 31, 2015, respectively, and its equity in net losses of associates amounted to ₱561.3 million and ₱163.5 million for the nine months ended September 30, 2016 and 2015, respectively.

11. Long-term Stock Pile Inventory

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN. The low grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC. Subsequently, this fair value represented the cost of the long-term stockpile inventory. The fair value of the inventory in August 2006 amounted to ₱2,036.7 million.

A portion amounting to ₱175.8 million and ₱159.9 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 September 30, 2016 and December 31, 2015, and the cost of the inventory delivered to CBNC for the nine months ended September 30, 2016 and 2015 of ₱154.9 million and ₱164.4 million, respectively, was included as part of "Cost of sales" (see Note 18).

The carrying value of long-term stockpile - net of current portion amounted to ₱414.0 million and ₱584.7 million as at September 30, 2016 and December 31, 2015, respectively.

12. Trade and Other Payables

Trade and other payables include amounts payable to regular suppliers, accrued expenses, government payables and other payables. Trade, accrued expenses and other payables, excluding amounts due to Orka Geothermal Investments Pte. Ltd (OGI) and Biliran Geothermal Holdings Inc. (BGHI) which has no fixed repayment date (see Note 28), are noninterest-bearing and are generally settled in less than thirty (30) days' term. Government payables include withholding taxes which are normally settled within ten (10) days after the end of each reporting month and fringe benefit tax which are normally settled within fifteen (15) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Royalties are paid on or before the deadline agreed with the Mines and Geosciences Bureau or other parties.

13. Short-term and Long-term Debts

Short-term debt with Manta Equities Inc. (Manta)
On June 8, 2015, EPI entered into a one year loan agreement with Manta amounting to ₱180.0 million to finance the development expenses of EPI's geothermal power project. The loan bears an annual interest of five percent (5%). The principal and interest is payable at the end of the loan agreement. In June 2016, the loan was extended for another year under the same terms.

Interest expense which formed part of "Finance expense" amounted to ₱6.7 million and nil for the nine months ended September 30, 2016 and 2015, respectively (see Note 26).

Long-term debt consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
EPI	**₱2,990,338**	₱2,100,336
Jobin	**300,000**	–
TMC	**1,273,125**	1,276,503
RTN	**65,183**	105,415
	4,628,646	3,482,254
Less noncurrent portion:		
EPI	**2,990,338**	2,100,336
Jobin	**300,000**	–
TMC	**1,188,250**	1,194,148
RTN	**21,727**	63,249
	4,500,315	3,357,733
Current portion	**₱128,331**	₱124,521

EPI Loan
On July 15, 2015, Security Bank Corporation (SBC) approved the loan facility of EPI amounting to ₱3,000.0 million to be used in funding its investments and working capital requirements. Staggered releases of loans are allowed up to August 31, 2016 with terms of up to three (3) years from date of every drawdown and payable upon maturity.

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

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at September 30, 2016 and December 31, 2015, EPI is in compliance with the restrictions.

Interest expense which formed part of "Finance expense" amounted to ₱97.6 million and nil for the nine months ended September 30, 2016 and 2015, respectively (see Note 26).

<u>Jobin Loan</u>
On April 5, 2016, Jobin entered into a twelve-year term loan facility with Land Bank of the Philippines amounting to ₱300.0 million to partially finance the construction and development of a 7.14 MW Solar Power Plant and inter-connection assets located in Subic Bay Freeport Zone (SBFZ). The loan bears an annual floating interest rate of at least 4.75%. The principal and interest is payable quarterly.

The loan shall be secured by the following:
a) Chattel mortgage on all project assets of Jobin
b) Corporate guarantee of EPI
c) Assignment of leasehold rights between Jobin and Subic Bay Metropolitan Authority on the lot at Mt. Sta. Rita, SBFZ, and 2,300 sq.m. lot and 280 sq.m. building located near the NGCP facility, Subic Gateway Park, SBFZ
d) Pledge of shares of stock of Jobin

While the loan remains outstanding, Jobin shall maintain the following:
a) debt-to-equity ratio of 70:30
b) debt service coverage ratio of at least 1.10x at all times until full payment of the obligations, and at least 1.20x for declaration of dividends and other distributions
c) current ratio of at least 1.0x

Interest expense which formed part of "Finance expense" amounted to ₱5.4 million and nil for the nine months ended September 30, 2016 and 2015, respectively (see Note 26).

<u>TMC Loan</u>
On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to $35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (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 US$0.9 million, starting on October 10, 2011 up to April 10, 2031.
The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all governmental approvals necessary to perform the obligations. As at September 30, 2016 and December 31, 2015, 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 2016 and 2015.

Interest expense for the nine months ended September 30, 2016 and 2015 which amounted to ₱26.2 million and ₱22.9 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 19).

<u>RTN Loan</u>
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 (see Note 8).

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any governmental authority affecting RTN. As at September 30, 2016 and December 31, 2015, RTN is in compliance with the restrictions.

RTN settled ₱39.3 million (or US$0.9 million) of long-term debt which became due in February and August 2016 and 2015.
Interest expense which formed part of "Finance expense" amounted to ₱1.9 million and ₱2.3 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 26).

14. Provision for Mine Rehabilitation and Decommissioning

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

For the nine months ended September 30, 2016 and 2015, accretion interest on provision for mine rehabilitation and decommissioning amounted to ₱2.5 million and ₱2.3 million respectively (see Note 26).

15. Equity

<u>Capital Stock</u>
The capital structure of the Parent Company as at September 30, 2016 and December 31, 2015 is as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares		
Issued - 7,596,939,456 shares	**₱3,798,470**	₱3,798,470
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
Total	**₱3,805,670**	₱3,805,670

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of seven percent (7%) per annum (p.a.).

Issued Capital Stock
Beginning November 22, 2010, the common stock of the Parent Company were listed and traded on the PSE at an offer price of ₱15.00 per share, which is equivalent to ₱2.67 per share after the stock dividends.

As at September 30, 2016 and December 31, 2015, the Parent Company has eighty-two (82) and sixty-six (66) stockholders, respectively.

As at September 30, 2016 and December 31, 2015, a total of 2,269,180,651, or 30%, and 2,258,870,964 or 30%, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty (80) and sixty-four (64) shareholders, respectively, while the balance of 5,327,758,805 common shares, or 70%, and 5,338,068,492 common shares, or 70%, respectively, are lodged with the Philippine Depository and Trust Corporation.

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

Type of dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment/issuance
Cash Dividends					
Regular	March 15, 2016	March 31, 2016	₱607,755	₱0.08	April 12, 2016
Regular	March 27, 2015	April 15, 2015	2,657,120	0.70	April 27, 2015
Special	March 27, 2015	April 15, 2015	1,138,765	0.30	April 27, 2015
Stock Dividends	June 5, 2015	July 16, 2015	1,899,235	100%	August 11, 2015

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

16. Executive Stock Option Plan (ESOP)

2014 ESOP
On March 24, 2014, the New Plan was approved by the Parent Company's BOD and was ratified by the stockholders on June 6, 2014. On November 21, 2014, the New Plan was approved by the SEC. The basic terms and conditions of the New Plan are as follows:

1. The New Plan covers up to 32.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱25.52, which is equivalent to ₱8.51 after the effect of stock dividends.
4. The New Plan was partially granted on June 6, 2014 and January 13, 2015.
5. The term of the New Plan shall be five (5) 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 New Plan or July 18, 2015.

6. The participant can exercise the vested options by giving notice within the term of the New Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair value of the stock option are ₱7.53 and ₱8.42 which was estimated as at grant date, June 6, 2014 and January 13, 2015, respectively, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

2010 ESOP
On June 16, 2010, the Parent Company's BOD and stockholders approved the 2010 ESOP. On December 20, 2010, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 12.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱13.50, which is equivalent to ₱2.40 after the effect of stock dividends.
4. The grant date of the Plan is January 3, 2011 as determined by the Compensation 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 3, 2011 between the Parent Company and the option grantees. The fair value of the stock options is ₱6.44, which was estimated as at grant date, January 3, 2011, using the Black Scholes-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:

	2014 ESOP		2010 ESOP
Grant date	January 13, 2015	June 6, 2014	January 3, 2011
Spot price per share	₱15.63	₱28.55	₱15.00
Exercise price	₱8.51	₱25.52	₱13.50
Expected volatility	33.52%	33.28%	53.42%
Option life	4.40 years	5.00 years	3.97 years
Dividend yield	0.58%	3.88%	2.06%
Risk-free rate	3.23%	3.30%	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 modifications or cancellations in 2016 and 2015.

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

	Number of Options	
	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
2014 ESOP		
Balances at January 1	**57,442,278**	17,764,849
Forfeited	**(1,219,514)**	(718,012)
Granted	–	2,100,595
Stock dividends	–	38,294,846
Balances at end of period	**56,222,764**	57,442,278
2010 ESOP		
Balances at January 1	**5,989,498**	3,719,308
Exercised	–	(2,584,213)
Stock dividends	–	4,854,403
Balances at end of period	**5,989,498**	5,989,498

On June 2, 2015, the SEC approved the exemption from registration of 11,625,987 common shares which shall form part of the ESOP. As at September 30, 2016, the Parent Company is in the process of securing the approval of the SEC of the exemption from registration of 31,523,262 common shares which shall also form part of the ESOP.

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

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at January 1	**₱104,824**	₱47,060
Stock option expense (see Note 23)	**18,540**	57,764
Balances at end of period	**₱123,364**	₱104,824

17. Earnings Per Share

Basic EPS were computed as follows:

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	**₱979,629**	₱2,492,110
b. Weighted average number of common shares for basic EPS (in thousands)	**7,596,939**	7,591,771
Basic EPS (a/b)	**₱0.13**	₱0.33

Diluted EPS were computed as follows:

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
c. Net income attributable to equity holders of the Parent	**₱979,629**	₱2,492,110
d. Weighted average number of common shares adjusted for the effect of dilution (in thousands)	**7,611,037**	7,606,406
Diluted EPS (a/b)	**₱0.13**	₱0.33

18. Cost of Sales

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Production overhead	**₱1,669,278**	₱2,079,179
Outside services	**1,264,280**	1,545,500
Depreciation and depletion (see Note 24)	**829,521**	777,578
Personnel costs (see Note 23)	**564,374**	602,541
Long-term stockpile inventory sold (see Note 11)	**154,916**	164,404
	4,482,369	5,169,202
Net changes in beneficiated nickel ore and limestone ore	**158,222**	(240,419)
	₱4,640,591	₱4,928,783

Production overhead consists of fuel, oil and lubricants, materials and supplies, equipment rentals and other miscellaneous charges.

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

19. Cost of Services

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Depreciation and depletion (see Note 24)	**₱118,478**	₱95,433
Personnel costs (see Note 23)	**59,576**	60,294
Overhead	**59,409**	63,782
Equipment operating costs (see Note 13)	**41,290**	39,233
Outside services	**21,885**	9,497
	₱300,638	₱268,239

20. Shipping and Loading Costs

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Contract fees	**₱1,070,629**	₱1,038,912
Fuel, oil and lubricants	**120,926**	156,839
Depreciation and depletion (see Note 24)	**110,965**	97,500
Materials and supplies	**74,984**	80,937
Personnel costs (see Note 23)	**49,679**	52,562
Other services and fees	**86,794**	75,184
	₱1,513,977	₱1,501,934

21. General and Administrative Expenses

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Personnel costs (see Note 23)	**₱208,367**	₱193,768
Taxes and licenses	**52,247**	124,462
Professional fees	**41,261**	42,814
Depreciation and depletion (see Note 24)	**38,444**	69,037
Transportation and travel	**30,675**	21,412
Outside services	**28,116**	15,849
Repairs and maintenance	**16,795**	17,680
Entertainment, amusement and recreation	**12,855**	9,093
Donations	**11,238**	34,997
Communications, light and water	**7,816**	6,704
Others	**130,268**	104,029
	₱578,082	₱639,845

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

22. Excise Taxes and Royalties

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Royalties	**₱573,858**	₱690,597
Excise taxes	**203,970**	252,281
	₱777,828	₱942,878

23. Personnel Costs

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Salaries, wages and employee benefits	**₱863,456**	₱872,351
Cost of share-based payment plan (see Note 16)	**18,540**	36,814
	₱881,996	₱909,165

The amounts of personnel costs are distributed as follows:

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Cost of sales (see Note 18)	**₱564,374**	₱602,541
General and administrative (see Note 21)	**208,367**	193,768
Cost of services (see Note 19)	**59,576**	60,294
Shipping and loading costs (see Note 20)	**49,679**	52,562
	₱881,996	₱909,165

24. Depreciation and Depletion

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

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Cost of sales (see Note 18)	**₱829,521**	₱777,578
Cost of services (see Note 19)	**118,478**	95,433
Shipping and loading costs (see Note 20)	**110,965**	97,500
General and administrative (see Note 21)	**38,444**	69,037
Others	**32,357**	34,087
	₱1,129,765	₱1,073,635

25. Finance Income

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Interest income	**₱160,649**	₱162,768
Gain on sale of AFS financial assets	**11,622**	23,922
Accretion income	**–**	3,933
Day 1 gain	**–**	2,123
	₱172,271	₱192,746

26. Finance Expenses

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Interest expense (see Note 13)	**₱115,524**	₱6,334
Guarantee service fee (see Note 28)	**83,840**	93,060
Management fee	**15,504**	10,336
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 14)	**2,465**	2,316
	₱217,333	₱112,046

27. Other Income - Net

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Foreign exchange gains - net	**₱218,735**	₱249,496
Dividend income (see Note 7)	**31,847**	13,997
Reversal of allowance for impairment losses on beneficiated nickel ore inventory	**18,986**	37,834
Despatch (demurrage)	**(18,202)**	38,353
Issuance of fuel, oil and lubricants	**12,343**	18,820
Rentals and accommodations	**8,601**	8,413
Loss on write-off of:		
Deferred mine exploration cost	**(7,628)**	–
Input VAT	**–**	(2,471)
Gain on sale of property and equipment	**3,232**	288
Other services	**1,897**	2,234
Others	**77,846**	25,707
	₱347,657	₱392,671

28. Related Party Transactions

Set out below are the Group's transactions with related parties for the nine-month period ended September 30, 2016 and 2015, including the corresponding assets and liabilities arising from the said transactions as at September 30, 2016 (Unaudited) and December 31, 2015 (Audited):

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Short-term and Long-term Debts (see Note 13)			
	September 30, 2016	September 30, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	Terms	Conditions
Stockholders														
Pacific Metals Co., Ltd.														
Sale of ore	**₱1,719,988**	₱2,186,528	**₱291,557**	₱136,048	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	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	**–**	–	**–**	–	**–**	86	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch	**2,480**	3,294	**179**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM														
Sale of ore	**–**	307,094	**–**	241	**–**	–	**–**	–	**–**	–	**–**	–	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)		Amounts Owed to Related Parties		Short-term and Long-term Debts (see Note 13)			
	September 30, 2016	September 30, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	Terms	Conditions
SMM														
Guarantee service fee	**₱83,840**	₱93,060	**₱–**	₱–	**₱16,483**	₱43,731	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Every twenty first (21st) of February, March, August and September	Unsecured
Loan facility	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65,183**	105,415	Principal is payable in semi-annual installments, interest is based on 180-day British Banker Association LIBOR plus 2% spread	Secured; with guarantee
Short-term advances	**1,250**	**1,250**	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
With Common Stockholders														
Manta Equities, Inc.														
Rentals, dues and utilities	**20,792**	20,036	**–**	–	**31**	417	**–**	–	**–**	–	**–**	–	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rentals deposits	**10,163**	9,959	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease; noninterest bearing	Unsecured; no guarantee
Short-term advances	**–**	4	**–**	–	**–**	–	**–**	2,166	**–**	–	**–**	–	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)		Amounts Owed to Related Parties		Short-term and Long-term Debts (see Note 13)			
	September 30, 2016	September 30, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	Terms	Conditions
Manta Equities, Inc.														
Loan facility	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱180,000**	₱180,000	Principal is payable at the end of loan agreement; interest is at five percent (5%)	Unsecured; no guarantee
Interest expense on loan	**6,684**	–	**–**	–	**2,750**	5,066	**–**	–	**–**	–	**–**	–	Interest is payable at the end of loan agreement	Unsecured; no guarantee
Associates														
CBNC														
Sale of ore	**785,097**	1,070,003	**77,629**	107,055	**–**	–	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Materials handling	**105,047**	164,828	**20,919**	50,110	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Rental income and throughput	**36,949**	35,778	**6,384**	30,180	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**47,327**	38,545	**34,067**	17,993	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; 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)		Amounts Owed to Related Parties		Short-term and Long-term Debts (see Note 13)			
	September 30, 2016	September 30, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	Terms	Conditions
CBNC														
Short-term advances	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱544	**₱–**	₱–	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
THNC														
Sale of ore	**567,542**	861,029	**28,668**	77,348	**–**	–	**–**	–	**–**	–	**–**	–	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Materials handling	**160,252**	197,308	**35,114**	69,168	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; non-interest bearing	Unsecured; no guarantee
Service income	**94,851**	92,159	**65,305**	31,808	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,087**	8,737	**79**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; non-interest bearing	Unsecured; no guarantee
Rental deposit	**3,352**	3,352	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease term; noninterest bearing	Unsecured; no guarantee
Loan facility	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,273,125**	1,276,503	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

(Forward)

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Short-term and Long-term Debts (see Note 13)			
	September 30, 2016	September 30, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	**September 30, 2016**	December 31, 2015	Terms	Conditions
THNC														
Other services	**₱4,856**	₱6,221	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Collectible on demand; non-interest bearing	Unsecured; no guarantee
Short-term advances	**–**	–	**–**	–	**–**	–	**5,850**	8,362	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Affiliates														
OGI														
Short-term advances	–	**–**	–	**–**	–	**–**	–	**–**	**1,263,693**	1,254,270	–	**–**	No fixed repayment date; noninterest-bearing	Unsecured; no guarantee
BGHI														
Short-term advances	–	**–**	–	**–**	–	**–**	–	**–**	**3,965,529**	3,887,252	–	**–**	No fixed repayment date; noninterest-bearing	Unsecured; no guarantee
Others														
Short-term advances	**–**	–	**–**	–	**–**	–	**721**	5,436	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
			₱559,901	₱519,951	**₱19,264**	₱49,300	**₱6,571**	₱15,964	**₱5,229,222**	₱5,142,066	**₱1,518,308**	₱1,561,918		

Terms and Conditions of Transactions with Related Parties
All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at September 30, 2016 and December 31, 2015 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 nine months ended September 30, 2016 and 2015 amounted to about ₱126.2 million and ₱111.3 million, respectively.

Intercompany Guarantees
As discussed in Note 13, the Parent Company has entered into a Continuing Suretyship Agreement with SBC covering the loan obtained by EPI.

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

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

29. Income Taxes

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

	For the nine-month period ended September 30	
	2016	2015
	(Unaudited)	
Current	**₱973,219**	₱1,477,151
Deferred	**(4,884)**	70,280
	₱968,335	₱1,547,431

30. Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates its fair value due to the short-term nature and maturity of this financial instrument.

Trade and Other Receivables, Trade and Other Payables and Short-term Debt
Similarly, the carrying amounts of trade and other receivables, trade and other payables and short-term debt approximate their fair values due to the short-term nature of these accounts.

Mine Rehabilitation Fund (MRF), Social Development Management Program (SDMP) Funds, Long-term Negotiable Instrument and Restricted Cash
The carrying amount of MRF, SDMP funds and restricted cash approximate their fair values since they are restricted cash with banks, which earns interest based on prevailing market rates repriced monthly. The long-term negotiable instrument also approximates its fair value since it earns interest based on long-term cash investment rate.

Loan Receivable
The carrying amount of loan receivable, which is the transaction price, approximates its fair value.

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

Long-term Debt and Long-term Payable
The fair values of long-term debt and long-term payable are based on the present value of future cash flows discounted using applicable risk free rates for similar types of loans adjusted for credit risk.

Fair Value Hierarchy of Financial Instruments
The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market date (unobservable inputs; Level 3).

As at September 30, 2016 and December 31, 2015, the Group's AFS financial assets are classified under Level 1 and 3.

As at September 30, 2016 and December 31, 2015, 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.

31. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

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

The power segment is engaged in power generation and supply.

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

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

	September 30, 2016 (Unaudited)											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	Geogen	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	1,768,675	1,590,699	4,232,513	2,606,582	-	12,789	-	387,904	-	-	-	10,599,162
Inter-segment revenues	-	-	-	-	-	-	-	-	1,479	374,332	(375,811)	-
Total revenues	1,768,675	1,590,699	4,232,513	2,606,582	-	12,789	-	387,904	1,479	374,332	(375,811)	10,599,162
Cost of sales	803,207	645,115	1,605,263	1,587,006	-	-	-	-	-	-	-	4,640,591
Cost of services	-	-	-	-	-	59,448	-	241,190	-	-	-	300,638
Shipping and loading costs	446,522	283,943	589,076	205,201	-	-	-	-	(10,765)	-	-	1,513,977
Excise taxes and royalties	115,831	245,198	338,601	78,198	-	-	-	-	-	-	-	777,828
Marketing	7,145	55,640	11,737	-	-	-	-	-	-	-	-	74,522
Segment operating earnings	395,970	360,803	1,687,836	736,177	-	(46,659)	-	146,714	12,244	374,332	(375,811)	3,291,606
General and administrative	73,765	20,593	81,612	45,661	57,970	102,092	-	-	-	196,389	-	578,082
Finance income	1,813	23,361	15,918	10,540	54	1,067	-	-	-	119,518	-	172,271
Finance expenses	-	1,608	1,255	3,108	-	109,618	-	-	-	101,744	-	217,333
Provision for (benefit from) income tax	76,498	105,017	498,516	208,125	-	-	-	-	(2,140)	82,319	-	968,335
Net income (loss) attributable to equity holders of the parent	289,388	300,964	894,967	397,127	(117,805)	(146,135)	-	-	-	(638,877)	-	979,629
Segment assets	1,664,160	2,494,961	9,574,808	4,196,138	1,037,533	10,505,328	721,342	-	79,940	13,506,549	-	43,780,759
Deferred income tax assets - net	37,317	17,559	43,977	5,312	8,549	-	-	-	-	-	-	112,714
Total assets	1,701,477	2,512,520	9,618,785	4,201,450	1,046,082	10,505,328	721,342	-	79,940	13,506,549	-	43,893,473
Segment liabilities	434,169	415,378	2,274,030	504,902	58,121	8,951,098	-	-	-	301,119	-	12,938,817
Deferred income tax liabilities - net	-	-	-	248,150	164,105	92,009	-	-	23,982	123,681	-	651,927
Total liabilities	434,169	415,378	2,274,030	753,052	222,226	9,043,107	-	-	23,982	424,800	-	13,590,744
Capital expenditures	68,238	43,239	444,554	135,695	29,376	577,636	50,288	-	-	20,448	-	1,369,474
Depreciation, depletion and amortization	205,107	99,089	449,610	312,265	2,083	40,749	-	-	4,756	16,106	-	1,129,765

	December 31, 2015 (Audited)											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	Geogen	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	2,314,823	2,350,200	5,069,801	5,060,825	-	-	-	635,997	-	-	-	15,431,646
Inter-segment revenues	-	-	-	-	-	-	-	-	2,070	521,882	(523,952)	-
Total revenues	2,314,823	2,350,200	5,069,801	5,060,825	-	-	-	635,997	2,070	521,882	(523,952)	15,431,646
Cost of sales	896,657	720,815	2,063,434	2,598,342	-	-	-	-	-	-	-	6,279,248
Cost of services	-	-	-	-	-	-	-	357,934	(17)	-	-	357,917
Shipping and loading costs	460,172	421,561	519,322	370,101	-	-	-	-	(13,213)	-	-	1,757,943
Excise taxes and royalties	162,037	370,157	405,584	151,825	-	-	-	-	-	-	-	1,089,603
Marketing	16,925	98,579	10,529	4,133	-	-	-	-	-	-	-	130,166
Segment operating earnings	779,032	739,088	2,070,932	1,936,424	-	-	-	278,063	15,300	521,882	(523,952)	5,816,769
General and administrative	144,602	54,081	146,846	89,035	18,786	45,476	-	-	904	413,124	-	912,854
Finance income	5,222	9,261	29,469	15,942	43	425	-	-	-	244,750	-	305,112
Finance expenses	3,553	5,893	8,691	5,080	-	42,400	-	-	-	127,130	-	192,747
Provision for (benefit from) income tax	179,561	205,122	613,832	577,027	(8,529)	7,618	-	-	(2,854)	95,509	-	1,667,286
Net income (loss) attributable to equity holders of the parent	544,067	530,239	1,088,960	975,978	(12,152)	(48,981)	-	-	-	(1,042,968)	-	2,035,143
Segment assets	1,912,697	2,151,931	9,429,793	4,703,869	979,448	8,781,557	671,055	-	87,074	12,775,524	-	41,492,948
Deferred income tax assets - net	43,811	18,595	40,046	5,311	8,549	-	-	-	-	36,948	-	153,260
Total assets	1,956,508	2,170,526	9,469,839	4,709,180	987,997	8,781,557	671,055	-	87,074	12,812,472	-	41,646,208
Segment liabilities	303,119	327,646	2,170,079	829,079.00	43,071	7,590,638	-	-	-	322,017	-	11,585,649
Deferred income tax liabilities - net	-	-	-	294,966	164,262	92,009	-	-	26,122	70,012	-	647,371
Total liabilities	303,119	327,646	2,170,079	1,124,045	207,333	7,682,647	-	-	26,122	392,029	-	12,233,020
Capital expenditures	370,940	155,302	1,013,364	202,918	12,378	1,692,791	450,191	-	-	10,768	-	3,908,652
Depreciation, depletion and amortization	224,263	112,660	565,772	466,697	638	1,716	-	-	9,513	58,728	-	1,439,987

	September 30, 2015 (Unaudited)											
	Mining					Power		Services and Others				
	HMC	CMC	TMC	RTN	Geogen	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	1,961,879	2,030,546	4,541,722	4,079,939	-	-	-	492,591	-	-	-	13,106,677
Inter-segment revenues	-	-	-	-	-	-	-	-	2,070	440,672	(442,742)	-
Total revenues	1,961,879	2,030,546	4,541,722	4,079,939	-	-	-	492,591	2,070	440,672	(442,742)	13,106,677
Cost of sales	762,750	658,451	1,677,474	1,830,108	-	-	-	-	-	-	-	4,928,783
Cost of services	-	-	-	-	-	-	-	268,239	-	-	-	268,239
Shipping and loading costs	370,228	349,078	485,726	296,902	-	-	-	-	-	-	-	1,501,934
Excise taxes and royalties	137,332	319,811	363,338	122,397	-	-	-	-	-	-	-	942,878
Marketing	14,522	86,165	8,119	2,973	-	-	-	-	-	-	-	111,779
Segment operating earnings	677,047	617,041	2,007,065	1,827,559	-	-	-	224,352	2,070	440,672	(442,742)	5,353,064
General and administrative	95,394	33,403	108,243	55,634	9,327	33,851	-	-	172	303,821	-	639,845
Finance income	3,297	5,727	19,986	13,232	2	240	-	-	135	150,127	-	192,746
Finance expenses	-	1,110	1,205	3,532	-	2,126	-	-	-	104,073	-	112,046
Provision for income tax	135,486	176,272	592,706	546,747	-	-	-	-	-	96,220	-	1,547,431
Net income (loss) attributable to equity holders of the parent	494,792	464,571	1,031,772	920,731	(9,325)	(23,586)	-	-	-	(386,845)	-	2,492,110
Segment assets	2,246,880	1,769,535	9,806,736	4,727,276	749,887	3,224,660	629,280	-	1,852	13,700,420	-	36,856,526
Deferred income tax assets - net	50,975	15,708	49,430	2,672	-	318	-	-	-	12,526	-	131,629
Total assets	2,297,855	1,785,243	9,856,166	4,729,948	749,887	3,224,978	629,280	-	1,852	13,712,946	-	36,988,155
Segment liabilities	568,771	480,860	2,247,788	644,985	39,721	1,966,630	-	-	-	120,334	-	6,069,089
Deferred income tax liabilities - net	-	-	-	308,392	157	-	-	-	26,836	64,890	-	400,275
Total liabilities	568,771	480,860	2,247,788	953,377	39,878	1,966,630	-	-	26,836	185,224	-	6,469,364
Capital expenditures	354,426	150,643	510,357	184,338	6,915	6,758	408,416	-	-	9,466	-	1,631,319
Depreciation, depletion and amortization	163,061	80,723	424,314	350,232	187	1,283	-	-	44	53,791	-	1,073,635

The Group has revenues from external customers as follows:

	For the nine-month period ended September 30	
	2016	2015
Country of Domicile	(Unaudited)	
China	**₱6,976,293**	₱7,809,968
Japan	**1,719,988**	2,493,622
Australia	**68,901**	271,113
Local	**1,833,980**	2,531,974
	₱10,599,162	₱13,106,677

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

Revenue arising from sale of ores from two key customers amounted to ₱5,318.1 million and ₱4,902.6 million for the nine months ended September 30, 2016 and 2015, respectively.

The Group has noncurrent assets consisting of property and equipment and investment properties located in the Parent Company's country of domicile amounting to ₱9,319.7 million and ₱9,103.1 million as at September 30, 2016 and December 31, 2015, respectively.

32. Business Combination

Loan Conversion and Additional Subscription to EPI

On April 15, 2015, the Parent Company expressed its intention to exercise its conversion right and to convert the entire second tranche loan of ₱446.0 million to 55% equity interest in EPI, which is equivalent to 312,888,889 common shares, subject to the SEC's approval of the increase in authorized capital stock of EPI.

On July 16, 2015, the Parent Company subscribed to an additional 11% equity interest in EPI, which is equivalent to 184,052,288 common shares, for a total consideration of ₱474.0 million, subject also to the approval of EPI's increase in authorized capital stock.

The increase in EPI's authorized capital stock was approved by the SEC on July 28, 2015 and the corresponding shares were subsequently issued to the Parent Company. The transaction was accounted for as an asset acquisition. At the time of acquisition, EPI has investments in the following subsidiaries.

	% of Ownership
MEI	100%
MGPC	100%
BHI	100%
MSI [(a)]	50%

(a) Indirect ownership through MEI

The Parent Company's cost of investment in EPI consists of:

Convertible loan including derivative asset	₱450,506
Additional capital infusion	474,000
	₱924,506

The consolidated amounts recognized as at July 28, 2015 for each major class of EPI and its subsidiaries' identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱653,836
Trade and other receivables	30,593
Prepayments and other current assets	54,697
Property and equipment	5,389
Geothermal exploration and evaluation assets	819,883
Other noncurrent assets	105,414
Total assets	1,669,812
Liabilities	
Trade and other payables	91,116
Short-term debts	285,000
Total liabilities	376,116
Net assets, including share of NCI	1,293,696
Share of NCI	369,190
Net assets acquired	₱924,506

The fair value of trade and other receivables approximates its carrying amount since these are short-term in nature. None of the trade and other receivables has been impaired and it is expected that the full contractual amounts can be collected/recovered.

NCI have been measured at its proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The excess of the Group's cost of investment in EPI over its proportionate share in the underlying net assets at the date of acquisition amounting to ₱207.8 million was allocated to the "Geothermal exploration and evaluation assets" account in the consolidated statements of financial position.

Cash flow on acquisition follows:

Cash acquired from EPI and its subsidiaries	₱179,836
Cash paid for drawdowns of second tranche convertible loan	267,600
Net cash outflow	₱87,764

Acquisition of Geogen

On August 4, 2015, the Parent Company acquired 240,000,000 shares, or 100% equity interest, of Geogen for a total consideration of ₱484.8 million. On the same date, a Deed of Assignment of Receivables was also executed between the Parent Company and the previous shareholders of Geogen wherein the Parent Company paid the amount of ₱209.2 million representing the advances from stockholders of Geogen prior to acquisition. Geogen is the claimowner of the Isabela Nickel Project with an aggregate area of 2,392 hectares located in Dinapigue, Isabela covered by MPSA No. 258-2007-II.

The amounts recognized as at August 4, 2015 for each major class of Geogen's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱509
Trade and other receivables	402
Prepayments and other current assets	32,800
Property and equipment	1,144
Deferred mine exploration costs	880,688
Other noncurrent assets	35,533
Total assets	951,076
Liabilities	
Trade and other payables	209,339
Provision for mine rehabilitation and decommissioning	31,989
Deferred income tax liabilities	164,262
Total liabilities	405,590
Net assets acquired	₱545,486

Income from acquisition is computed as follows:

Acquisition cost	₱485,565
Less: Fair value of net identifiable assets and liabilities acquired	545,486
Gain on bargain purchase	₱59,921

Cash flow on acquisition follows:

Cash acquired from Geogen		₱509
Cash paid for:		
Acquisition of shares	484,768	
Assignment of advances from previous shareholders	209,232	
Others	797	694,797
Net cash outflow		₱694,288

Acquisition of Jobin

On July 16, 2015, EPI entered into a Deed of Assignment with the previous shareholders of Jobin and acquired 200,000 shares, or 100% equity interest, of Jobin for a total consideration of ₱0.2 million. Jobin is the holder of Solar Energy Service Contract (SESC) No. 2013-10-039 and Wind Energy Service Contract (WESC) No. 2013-10-062 which both covers an area in the municipalities of Morong and Hermosa, Bataan. The transaction was accounted for as an asset acquisition. The amounts recognized as at July 16, 2015 for each major class of Jobin's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱200
Property and equipment	455
Total assets	655
Liabilities	
Trade and other payables	455
Net assets acquired	₱200

The excess of the Group's cost of investment in Jobin over the underlying net assets at the date of acquisition amounting to ₱0.5 million was allocated to the "Property and equipment" account in the consolidated statements of financial position.

Cash flow on acquisition follows:

Cash acquired from Jobin	₱200
Cash paid for acquisition	200
Net cash outflow	₱–

Acquisition of Newminco

On December 14, 2015, CExCI entered into a Share Purchase Agreement (SPA) to acquire 100% equity interest of Newminco for a total consideration of ₱64.8 million.

CExCI acquired the shares of Newminco on a deferred payment basis and with the following terms: a downpayment of ₱30.8 million upon execution of the SPA while the remaining balance of ₱34.0 million, which is non-interest bearing, is payable over a seven (7) year period.

The amounts recognized as at December 14, 2015 for each major class of Newminco's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱68
Deferred mine exploration cost	61,680
Total assets	61,748
Liabilities	
Trade and other payables	4,273
Net assets acquired	₱57,475

NCI have been measured at its proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The excess of the Group's cost of investment in Newminco over the underlying net assets at the date of acquisition amounting to ₱60.5 million was allocated to the "Deferred mine exploration costs" account in the consolidated statements of financial position.

Cash flow on acquisition follows:

Cash acquired from Newminco	₱68
Cash paid for acquisition	30,750
Net cash outflow	₱30,682

Acquisition of BGI

On August 24, 2015, EPI and BHI entered into an Investment Agreement with OGI and BGHI to acquire 60% equity interest of BGI for a consideration of ₱1.8 million, subject to the SEC's approval of the increase in authorized capital stock of BGI. The increase in authorized capital stock of BGI was approved by the SEC on December 17, 2015 and the corresponding shares were subsequently issued to BHI. BGI is the holder of Geothermal Renewable Energy Service Contract (GRESC) No. 2010-02-010 which covers the geothermal field in Biliran, Leyte.

The transaction was accounted as an acquisition of a business.

The provisional fair values recognized as at December 17, 2015 for each major class of BGI's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱13,787
Trade and other receivables	72,668
Prepayments and other current assets	3,210
Property and equipment	3,925
Geothermal exploration and evaluation assets	4,794,096
Other noncurrent assets	254,327
Total assets	5,142,013
Liabilities	
Trade and other payables	5,187,541
Deferred income tax liabilities	87,485
Total liabilities	5,275,026
Net liabilities, including share of NCI	(133,013)
Share of NCI	134,858
Net assets acquired	₱1,845

The fair value of trade and other receivables approximates its carrying amounts since these are short-term in nature. None of the trade and other receivables has been impaired and it is expected that the full contractual amounts can be collected/recovered.

NCI have been measured at its proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The excess of the Group's cost of investment in BGI over its proportionate share in the underlying net assets at the date of acquisition amounting to ₱291.6 million was allocated to the "Geothermal exploration and evaluation assets" account in the consolidated statement of financial position.

Cash flow on acquisition follows:

Cash acquired from BGI	₱13,787
Cash paid	1,845
Net cash inflow	₱11,942

As a result of the above acquisitions, the Group acquired the following service contracts:

Solar Energy Service Contract No. 2015-01-099
On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the Department of Energy (DOE) which grant EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

The SESC carries a non-extendible two-year (2) period of pre-development stage, which involves the preliminary assessment and feasibility study, and shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities.

Solar Energy Service Contract No. 2013-10-039
On October 31, 2013, Jobin entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity in the solar project.

On August 28, 2015, Jobin was granted a Certificate of Confirmation of Commerciality by the DOE for its 100.44 MW Sta. Rita solar power project located in Mt. Sta Rita, SBFZ. The certificate converts the project's SESC from exploration/pre-development stage to the development/commercial stage. Jobin commenced operations in April 2016.

Wind Energy Service Contract No. 2013-10-062
On October 31, 2013, Jobin entered into a WESC with the DOE. The WESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The WESC is for a period of twenty-five (25) years, inclusive of a three (3) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the WESC shall be 1% of the gross income from the sale of electricity in the wind project.

Geothermal Renewable Energy Service Agreement No. 2014-02-054
GRESC No. 2014-02-054, which covers an approximate area of 3,914 hectares in the three barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of 40MW. The Project is in the exploration stage as at June 30, 2016.

The GRESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof.

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRESC to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRESC to MGPC. The DOE approved EPI's application on February 16, 2016 under GRESC No. 2016-02-060.

Geothermal Renewable Energy Service Agreement No. 2010-02-010
BGI signed GRESC No. 2010-02-010 converting its Geothermal Services Contract (GSC – 09) signed on July 10, 2008 for the exploration, development and exploitation of Geothermal Resources covering the Geothermal Field ("the Field") in Biliran, Leyte. By virtue of such agreement, BGI is entitled to enjoy an income tax holiday for a period of seven (7) years from

the start of its commercial operation, duty free importation of machineries for ten (10) years, and zero (0) percent value added tax among others.

33. Events after the End of the Financial Reporting Period

Sale of 12.5% interest in THPAL
On October 17, 2016, the Parent Company and SMM executed a Deed of Absolute Sale of Shares in THNC. The Parent Company sold 12.5% of its shareholdings in THNC, or equivalent to 511,875,000 shares, for a total consideration of US$41,982,245.

Loan Agreement with EPI
In July 2016, the Parent Company entered into a loan agreement with EPI amounting to ₱1,500.0 million which will be used by EPI to finance the 25 MW expansion of its solar project. The loan bears an annual interest of five percent (5%) and is payable semi-annually. The principal is payable on or before the last day of the thirty-sixth (36th) month following the corresponding drawdown. In October 2016, EPI made an initial drawdown of ₱500.0 million.