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

Month *Day*

(Calendar Year)

17-Q

(Form Type)

06 1st Friday

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

82

Total No. of Stockholders

₱3,008.6 million

Domestic

–

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number CS200811530
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

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
March 31, 2018
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: **MARCH 31, 2018**
2. SEC Identification Number: **CS200811530**
3. BIR Tax Identification No.: **007-085-191-000**
4. Exact name of issuer as specified in its charter: **NICKEL ASIA CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: ______ (SEC Use Only)
7. Address of principal office: **28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City** — Postal Code: **1634**
8. Issuer's telephone number, including area code: **+63 2 892 6669 / +63 2 892 4177**
9. Former name, former address, and former fiscal year, if changed since last report.
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**7,602,928,954 shares**
Long-term Debt	**Php3,008.6 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.

May 9, 2018

Mr. Jose Valeriano B. Zuño III
OIC - Head, Disclosure Department
The Philippine Stock Exchange, Inc.
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Mr. Vicente Graciano P. Felizmenio, Jr.
Director - Markets and Securities Regulation Department
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

Re : SEC Form 17-Q 2018 1st Quarter Report
x ==x

Gentlemen:

We submit to you herewith a copy of our Company's SEC Form 17-Q Quarterly Report for the period ended March 31, 2018.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP - Chief Financial Officer

NICKEL ASIA CORPORATION

17-Q QUARTERLY REPORT

MARCH 31, 2018

TABLE OF CONTENTS **Page No.**

PART I – FINANCIAL INFORMATION

Item A. Financial Statements

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

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

Summary Consolidated Statements of Income

	For the Quarter Ended March 31		Increase	Percent
	2018	2017	(Decrease)	Inc (Dec)
	(In Thousand Pesos)			
Revenues	2,163,941	2,492,848	(328,907)	-13%
Costs	(1,215,578)	(1,087,521)	128,057	12%
Operating expenses	(610,312)	(472,182)	138,130	29%
Finance income	131,746	59,573	72,173	121%
Finance expenses	(41,978)	(64,477)	(22,499)	-35%
Equity in net income (losses) of associates	194,686	(10,249)	204,935	2000%
Other income - net	372,277	85,057	287,220	338%
Provision for income tax - net	(267,280)	(348,075)	(80,795)	-23%
Net income	727,502	654,974	72,528	11%
Net income attributable to:				
Equity holders of the parent	575,997	377,509	198,488	53%
Non-controlling interests	151,505	277,465	(125,960)	-45%
	727,502	654,974	72,528	11%

Summary Consolidated Statements of Financial Position

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	20,660,083	20,898,438	(238,355)	-1%
Noncurrent assets	25,280,138	24,838,661	441,477	2%
Total assets	45,940,221	45,737,099	203,122	0%
Current liabilities	9,078,646	9,614,431	(535,785)	-6%
Noncurrent liabilities	2,867,927	2,904,480	(36,553)	-1%
Equity attributable to equity holders of the Parent	30,080,936	29,456,981	623,955	2%
Non-controlling interests	3,912,712	3,761,207	151,505	4%
Total liabilities and equity	45,940,221	45,737,099	203,122	0%
	-	-		

Summary Consolidated Statements of Cash Flows

	For the Quarter Ended March 31		Increase	Percent
	2018	2017	(Decrease)	Inc (Dec)
	(In Thousand Pesos)			
Net cash flows from (used in):				
Operating activities	504,521	943,177	(438,656)	-47%
Investing activities	13,965	(765,764)	779,729	102%
Financing activities	(757,256)	(425,148)	332,108	78%
Net decrease in cash and cash equivalents	(238,770)	(247,735)	(8,965)	4%
Cash and cash equivalents, beginning	9,645,932	9,647,943	(2,011)	0%
Cash and cash equivalents, end	9,407,162	9,400,208	6,954	0%

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 three months ended March 31, 2018 and 2017, prepared in conformity with Philippine Accounting Standards 34, *Interim Financial Reporting* and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Three months ended March 31, 2018 compared with three months ended March 31, 2017

Revenues

Our total revenues in the first quarter of 2018 was ₱2,163.9 million, which was slightly lower by ₱328.9 million or 13%, compared to ₱2,492.8 million in the first quarter of 2017.

Sale of ore

The Group's estimated value of shipments dropped by 15% to ₱1,954.6 million from ₱2,307.6 million due to weaker ore export prices caused by increasing ore exports from Indonesia coupled with shipments of more lower-grade ore. It will be recalled that Indonesia relaxed its ore export ban in January 2017 thereby putting downward pressure on ore export prices.

The Group's Rio Tuba mine exported 821.5 thousand wet metric ton (WMT) of saprolite ore and delivered 984.0 thousand WMT of limonite ore to the Coral Bay processing plant in the first quarter of 2018. This compares to sales of 907.7 thousand WMT of saprolite ore and 950.5 thousand WMT of limonite ore during the same period last year.

The Group's Taganito mine shipped 110.2 thousand WMT of saprolite ore and sold 1,175.7 thousand WMT of limonite ore, of which 1,017.5 thousand WMT were delivered to the Taganito processing plant in the first quarter of 2018. This compares to sales of 156.3 thousand WMT of saprolite ore and 1,038.3 thousand WMT of limonite ore delivered to the Taganito processing plant for the comparable period last year.

Typically, the Group experiences low shipment volumes during the first quarter of the year since operations at the Taganaan and Cagdianao mines, both located in northeastern Mindanao, do not commence until the second quarter, the onset of the dry season.

The estimated realized nickel price on 1,089.9 thousand WMT of ore exports in the first quarter of this year, which is historically priced on a negotiated dollar per WMT basis, averaged $17.07 per WMT compared to $31.67 per WMT on 1,064.0 thousand WMT sold during the same period last year. Apart from weaker ore prices, the average ore-grade of shipments this year was lower as compared to last year due to a change in the mix of ore, thereby contributing to the drop in the average realized price. To recall, the Group had focused more on the shipment of higher-grade ore last year to take advantage of elevated prices at that time.

On the other hand, prices for our limonite ore deliveries to the Taganito and Coral Bay processing plants, which are linked to London Metal Exchange (LME) prices, have done much better. The Group realized an average of $6.02 per pound of payable nickel on 2,001.5 thousand WMT sold over the three-month period ended March 2018. This compares to an average price of $4.66 per pound of payable nickel on 1,988.8 thousand WMT sold during the same period last year.

Rio Tuba's revenue from sale of limestone went down by 13% to ₱104.3 million from ₱120.0 million due to 33.6 thousand WMT or 20% decline in limestone sales during the first quarter of 2018 compared to the same period last year.

Services and Others

Our revenue from services and others slightly improved to ₱149.5 million from ₱148.6 million. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that Rio Tuba Nickel Mining Corporation (RTN) and Taganito Mining Corporation (TMC) provides to Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THNC), respectively, and usage fee charged by TMC to THNC for the use of its pier facility.

Sale of Power

Sale of power climbed by 63% to ₱59.9 million from ₱36.7 million since Jobin SQM, Inc. (Jobin), a subsidiary of the Company, operated at full 32MW capacity in the current period compared to last year wherein it operated at 7.2MW in the first two months and increased only upon completion of the 32MW capacity in March 2017.

<u>*Costs*</u>

Our costs went up by 12% or ₱128.1 million, from ₱1,087.5 million to ₱1,215.6 million.

Cost of Sales

Our cost from sale of ore increased by 8% to ₱1,062.2 million compared to ₱983.0 million in the same period last year due to additional employees hired during the period coupled with increase in the employee's daily rate and benefits, hike in diesel prices which averages from around ₱7.00/liter to ₱10.00/liter plus higher consumption during the period, and higher operating and maintenance cost of the conveyors.

Cost of Services

Cost of services grew by 6% to ₱91.0 million from ₱85.6 million. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. The increase in cost of services was attributable mainly to increase in share in fixed cost from 3% to 6% and average fuel rate by around ₱7.00/liter to ₱10.00/liter. Also, additional employees were hired during the period.

Cost of Power Generation

Cost of power generation increased by 230% to ₱62.4 million from ₱18.9 million in the first quarter of 2018 because Jobin operated at full 32MW capacity during the period compared to last year wherein it started operating at 32MW capacity only in March or upon its completion. Before that Jobin operated at 7.2MW capacity.

<u>Operating Expenses</u>

Shipping and Loading Costs

Shipping and loading costs grew by 25% as more Landing Craft Transports were chartered since more shipments were completed and/or started loading during the first quarter of 2018 compared to the same period last year. In addition, higher volume was handled by contractors, thus the fees went up.

General and Administrative

General and administrative expenses rose by 31% from ₱175.6 million to ₱230.2 million in the first quarter of 2018 which resulted from higher business taxes paid due to higher income base in 2017 than 2016, payment of ₱8.0 million real property tax for the diesel power plant, higher documentary stamp tax on remittances caused by the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law, new employees (particularly officers/managers) were hired, thus increasing our personnel cost and payment of SEC filing fees for the extension of RTN's mine life.

Excise Taxes and Royalties

Our excise taxes and royalties jumped 34% to ₱141.5 million from ₱105.6 million due to higher excise taxes resulting from the implementation of the TRAIN Law which increased the excise tax rate from 2% to 4%.

<u>Finance Income</u>

Our finance income went up by 121% to ₱131.7 million from ₱59.6 million as our debt securities portfolios in the first quarter of 2018 was higher by 5% compared to the first quarter of 2017. Aside from that, we realized a gain of ₱49.2 million mostly from the disposal of one of our offshore investments.

<u>Finance Expenses</u>

Our finance expenses dropped by 35% to ₱42.0 million from ₱64.5 million as a result of lower interest incurred by Emerging Power Inc. (EPI) for its bank loans due to 50% partial payment of the principal loan in September 2017.

<u>Equity in Net Income (Losses) of Associates</u>

Our equity in net income (losses) of THNC and CBNC rose from a loss of ₱10.2 million to an income of ₱194.7 million. Profitable operations of our associates were achieved due to better LME prices for nickel ore, lower operating costs and higher cobalt prices, which is a by-product of the two plants.

Other Income - Net
Our other income - net went up by 338% to ₱372.3 million from ₱85.1 million mainly due to depreciation of peso against US dollar. In the first quarter of 2018, the average foreign exchange rate was ₱51.50 compared to ₱50.00 in 2017. Moreover, we also realized foreign exchange gains from the disposal of one of our offshore investments which were sold at an average rate of ₱52.00/US$1 versus the book value rate of ₱49.93/US$1.

Provision for Income Tax - Net
Our net provision for income tax was lower by 23% due to lower taxable income base.

Net Income
As a result of the foregoing, our consolidated net income was ₱727.5 million in the first quarter of 2018 compared to ₱655.0 million in the first quarter of 2017. Net of non-controlling interests, our net income rose to ₱576.0 million from ₱377.5 million.

Statement of Financial Position
As at March 31, 2018, total assets increased to ₱45,940.2 million from ₱45,737.1 million as of the end of 2017. Current assets slightly went down to ₱20,660.1 million from ₱20,898.4 million following the payment of cash dividends to non-controlling interests which was higher by ₱347.5 million or 96% than the dividends paid in the first quarter of 2017.

Noncurrent assets increased by 2% from ₱24,838.7 million to ₱25,280.1 million propelled by the 14% growth in our investments in associates due to favorable results of operations of THNC and CBNC plus the effect of our share in cumulative translation adjustment which resulted to a total net favorable impact of ₱400.1 million.

Current liabilities slid by 6% to ₱9,078.6 million from ₱9,614.4 million due to cash dividends paid of ₱710.0 million. However, this was partially offset by the ₱218.0 million increase in our income tax payable owing to the first quarter income tax expense.

Noncurrent liabilities also went down by only 1% to ₱2,867.9 million from ₱2,904.5 million due to decrease in deferred income tax liabilities by ₱104.8 million. However, the said decline was partially offset by the additional accrual of pension cost and valuation of foreign currency denominated loans.

Our equity net of non-controlling interests went up by 2% to ₱30,080.9 million from continued profitable operations during the first quarter of the year.

Statement of Cash Flows
Net cash from operating activities in the first quarter of 2018 amounted to ₱504.5 million compared to ₱943.2 million in the same period last year. It went down in 2018 due to lower revenue resulting from weaker ore export prices and higher operating costs and expenses resulting from higher taxes and fuel cost due to the implementation of the TRAIN law and higher maintenance costs.

Cash from or used in investment activities arose from net acquisitions or net disposals of property and equipment and AFS financial assets, additions to project development costs and geothermal exploration and evaluation assets, and receipt of interest. In the first quarter of 2018, the proceeds from the disposal of AFS financial assets were notably higher compared to the same period last year because we started to unwind one of our offshore investments. On the other hand, in the first quarter of 2017, additions to project development cost were significantly higher by ₱298.1 million compared to the first quarter of 2018.

Cash used in financing activities arose mainly from payments of cash dividends, long-term debts and interest which amounted to a total of ₱756.2 million and ₱424.1 million in the first quarter of 2018 and 2017, respectively.

As at March 31, 2018 and 2017, cash and cash equivalents amounted to ₱9,407.2 million and ₱9,400.2 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), which 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 and our customers in China, we sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility and from our Taganito mine to the Taganito HPAL facility, in which we both have a 10% 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 36,000 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 first three quarters of 2018 and 2017, we sold an aggregate of 3,091.4 thousand WMT and 3,052.8 thousand WMT, respectively.

2) TOTAL COST PER VOLUME SOLD

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

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

The average cost per volume of ore sold for the first quarter of 2018 was ₱512.58 per WMT on the basis of aggregate costs of ₱1,584.6 million and a total sales volume of 3,091.4 thousand WMT of ore. This compares to ₱445.08 per WMT during the same period in 2017 on the basis of aggregate costs of ₱1,358.7 million and a total sales volume of 3,052.8 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 quarter of 2018 was ₱576.0 million compared to ₱377.5 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 first quarter of 2018 and 2017, the Group has rehabilitated and reforested a total of 17 hectares and 26 hectares, respectively, with corresponding number of trees planted of about 70,380 and 61,185, 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. Our frequency rate was nil for the first quarter of 2018 and 2017.

Liquidity and Capital Resources

As of March 31, 2018 and December 31, 2017, our principal source of liquidity was cash from our operations. We incurred long-term debt to finance the construction of our Rio Tuba and Taganito pier facilities. We receive income from CBNC and THNC under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for the use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt. In addition, we also incurred long-term debt to finance the solar project of Jobin and the geothermal exploration and evaluation assets of Mindoro Geothermal Power Corporation (MGPC) and Biliran Geothermal Inc. (BGI). Any revenue that will be earned by Jobin, MGPC and BGI upon start of their commercial operations will be used to pay-off the debt.

As of March 31, 2018 and December 31, 2017, our working capital, defined as the difference between our current assets and current liabilities, was ₱11,581.4 million and ₱11,284.0 million, respectively. We expect to meet our working capital, capital expenditure and investment requirements from the cash flow coming from our operations and pay-off the debts that we have incurred to finance the construction of pier facilities at our Rio Tuba and Taganito properties and EPI's project development costs. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

Qualitative and Quantitative Disclosures about Market Risk

Commodity Price Risk

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

Foreign Currency Risk

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

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

Equity Price Risk

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

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

Nickel Ore Trade

Nickel ore in the country is mainly exported to China. We estimated that nickel mines in the Philippines exported 3.6 million WMT to China in the first quarter of 2018, which was almost the same for the first quarter of 2017. On the other hand, the estimated nickel ore export to China from nickel mines in Indonesia was 4.2 million WMT in the first quarter of 2018, while no shipment was made in the first quarter of 2017.

High/middle grade nickel ore price was down by around 30% on a year-on-year basis despite of increase in LME nickel price by around 27%. This is mainly due to relaxation of nickel ore export ban in Indonesia in 2017, which resulted in oversupply of nickel ore.

Seasonality of Operations

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

Material Commitment for Capital Expenditures

Jobin entered into Engineering, Procurement, and Construction Management contract with SunSource Energy Private Limited (SSEPL) for the implementation of the entire 92.86 MW phase of the Sta. Rita Solar Power Project. The scope of the service agreement between Jobin and SSEPL covers the designing, planning, engineering, procurement (manufacturing/supply), construction/erection management, testing and commissioning of the utility scale solar photovoltaic plant under Phase II. Funding to finance this project will come from internally generated funds, advances from related parties, borrowings from banks and/or ultimate parent company, or thru additional capital infusion.

Off-balance Sheet Arrangements

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

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

Known Trends, Events, or Uncertainties

On February 13, 2017, Hinatuan Mining Corporation (HMC) a wholly owned subsidiary of the Parent Company and whose tonnage consists of 14% of the Group's total production in 2017, received a letter from Department of Environment and Natural Resources stating that Mineral Production Sharing Agreement (MPSA) in Taganaan Island, Surigao is being cancelled due to alleged violations of Republic Act No. 7942 or the Philippine Mining Act of 1995 as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA. The Parent Company will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

As at March 31, 2018, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
- Seasonal aspects that had a material impact on the Group's results of operations; and
- Material changes in the financial statements of the Group for the periods ended March 31, 2018 and December 31, 2017, except those mentioned in the preceding.
- Known event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation that have not been booked, although the Group could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
PART II - FINANCIAL SOUNDNESS INDICATORS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018	2017
A. *Liquidity analysis ratios*		
Current ratio or working capital ratio	**2.28**	2.63
Quick ratio	**1.74**	2.05
Solvency ratio	**3.85**	3.29
B. *Financial leverage ratios*		
Debt ratio	**0.26**	0.30
Debt-to-equity ratio	**0.35**	0.44
Asset-to-equity ratio	**1.35**	1.44
Interest coverage ratio	**30.29**	18.90
C. *Profitability ratios*		
Net profit margin	**0.34**	0.26
Return on assets	**0.02**	0.01
Return on equity	**0.02**	0.02
Gross profit margin	**0.44**	0.56
Price/earnings ratio	**76.38**	121.60

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

May 9, 2018

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

May 9, 2018

NICKEL ASIA CORPORATION
SEC FORM 17-Q
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2018

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱9,407,162**	₱9,645,932
Trade and other receivables (Notes 5 and 29)	**1,715,242**	905,125
Inventories (Note 6)	**3,726,000**	3,502,414
Available-for-sale (AFS) financial assets (Note 7)	**4,708,225**	5,925,682
Prepayments and other current assets	**1,103,454**	919,285
Total Current Assets	**20,660,083**	20,898,438
Noncurrent Assets		
Property and equipment (Note 8)	**15,526,205**	15,388,259
Investments in associates (Note 9)	**3,352,225**	2,952,132
Geothermal exploration and evaluation assets (Note 10)	**1,786,304**	1,784,183
AFS financial assets - net of current portion (Note 7)	**699,647**	732,738
Deferred income tax assets - net	**183,111**	333,094
Long-term stockpile inventory - net of current portion (Note 11)	**134,847**	167,559
Other noncurrent assets	**3,597,799**	3,480,696
Total Noncurrent Assets	**25,280,138**	24,838,661
TOTAL ASSETS	**₱45,940,221**	₱45,737,099
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12 and 29)	**₱6,840,768**	₱7,569,941
Income tax payable	**453,261**	235,233
Other current liability	**169,079**	169,079
Current portion of:		
Long-term debts (Note 13)	**1,610,538**	1,635,178
Long-term payable	**5,000**	5,000
Total Current Liabilities	**9,078,646**	9,614,431
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 13)	**1,398,082**	1,349,211
Deferred income tax liabilities - net	**662,059**	766,874
Provision for mine rehabilitation and decommissioning (Note 14)	**391,056**	388,787
Pension liability	**338,663**	320,781
Deferred income - net of current portion	**57,611**	58,659
Long-term payable - net of current portion	**20,456**	20,168
Total Noncurrent Liabilities	**2,867,927**	2,904,480
Total Liabilities	**11,946,573**	12,518,911
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	**3,808,665**	3,808,665
Additional paid-in capital	**8,262,455**	8,262,455
Other components of equity:		
Share in cumulative translation adjustment (Note 9)	**749,018**	564,152
Cost of share-based payment plan (Note 16)	**138,583**	137,635
Asset revaluation surplus	**32,002**	32,097
Net valuation gains on AFS financial assets	**26,079**	163,935
Retained earnings		
Unappropriated	**15,968,551**	15,392,459
Appropriated (Note 15)	**1,095,583**	1,095,583
	30,080,936	29,456,981
Non-controlling Interests (NCI)	**3,912,712**	3,761,207
Total Equity	**33,993,648**	33,218,188
TOTAL LIABILITIES AND EQUITY	**₱45,940,221**	₱45,737,099

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Amounts in Thousands, Except Earnings per Share)

	2018	2017
	(Unaudited)	
REVENUES (Note 29)		
Sale of ore	**₱1,954,623**	₱2,307,563
Services and others	**149,456**	148,577
Sale of power	**59,862**	36,708
	2,163,941	2,492,848
COSTS		
Sale of ore (Note 18)	**1,062,198**	983,019
Services (Note 19)	**90,976**	85,560
Power generation (Note 20)	**62,404**	18,942
	1,215,578	1,087,521
OPERATING EXPENSES		
Shipping and loading costs (Note 21)	**238,593**	190,922
General and administrative (Note 22)	**230,240**	175,622
Excise taxes and royalties (Note 23)	**141,479**	105,638
	610,312	472,182
FINANCE INCOME (Note 26)	**131,746**	59,573
FINANCE EXPENSES (Note 27)	**(41,978)**	(64,477)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 9)	**194,686**	(10,249)
OTHER INCOME - Net (Note 28)	**372,277**	85,057
INCOME BEFORE INCOME TAX	**994,782**	1,003,049
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)		
Current	**225,108**	389,494
Deferred	**42,172**	(41,419)
	267,280	348,075
NET INCOME	**₱727,502**	₱654,974
Net income attributable to:		
Equity holders of the parent	**₱575,997**	₱377,509
NCI	**151,505**	277,465
	₱727,502	₱654,974
Basic/Diluted Earnings Per Share (EPS; Note 17)	**₱0.08**	₱0.05

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Amounts in Thousands)

	2018	2017
	(Unaudited)	
NET INCOME	**₱727,502**	₱654,974
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	**184,866**	174,519
Net valuation losses on AFS financial assets	**(137,856)**	(8,835)
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	**47,010**	165,684
Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:		
Asset revaluation surplus	**(95)**	(95)
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	**46,915**	165,589
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱774,417**	₱820,563
Total comprehensive income attributable to:		
Equity holders of the parent	**₱622,912**	₱543,098
NCI	**151,505**	277,465
	₱774,417	₱820,563

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 15)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 16)	Net Valuation Gains (Losses) on AFS Financial Assets	Share in Cumulative Translation Adjustment (Note 9)	Asset Revaluation Surplus	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 15)	Total	NCI	Total
Balances at December 31, 2017	₱3,808,665	₱8,262,455	₱137,635	₱163,935	₱564,152	₱32,097	₱15,392,459	₱1,095,583	₱29,456,981	₱3,761,207	₱33,218,188
Net income	–	–	–	–	–	–	575,997	–	575,997	151,505	727,502
Other comprehensive income (loss)	–	–	–	(137,856)	184,866	(95)	–	–	46,915	–	46,915
Total comprehensive income (loss)	–	–	–	(137,856)	184,866	(95)	575,997	–	622,912	151,505	774,417
Cost of share-based payment plan (Note 16)	–	–	948	–	–	–	–	–	948	–	948
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	95	–	95	–	95
Balances at March 31, 2018 (Unaudited)	₱3,808,665	₱8,262,455	₱138,583	₱26,079	₱749,018	₱32,002	₱15,968,551	₱1,095,583	₱30,080,936	₱3,912,712	₱33,993,648

See accompanying Notes to Unaudited Consolidated Financial Statements.

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 15)	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains (Losses) on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 15)	Total	NCI	Total
Balances at December 31, 2016	₱3,808,665	₱8,300,002	₱126,622	₱12,954	₱409,286	₱32,480	₱13,221,526	₱1,108,956	₱27,020,491	₱4,179,162	₱31,199,653
Net income	–	–	–	–	–	–	377,509	–	377,509	277,465	654,974
Other comprehensive income (loss)	–	–	–	(8,835)	174,519	(95)	–	–	165,589	–	165,589
Total comprehensive income (loss)	–	–	–	(8,835)	174,519	(95)	377,509	–	543,098	277,465	820,563
Cost of share-based payment plan	–	–	3,484	–	–	–	–	–	3,484	–	3,484
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	95	–	95	–	95
Balances at March 31, 2017 (Unaudited)	₱3,808,665	₱8,300,002	₱130,106	₱4,119	₱583,805	₱32,385	₱13,599,130	₱1,108,956	₱27,567,168	₱4,456,627	₱32,023,795

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Amounts in Thousands)

	2018	2017
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱994,782**	₱1,003,049
Adjustments for:		
Depreciation, amortization and depletion (Note 25)	**315,249**	353,406
Equity in net losses (income) of associates (Note 9)	**(194,686)**	10,249
Interest income (Note 26)	**(82,562)**	(59,573)
Loss (gain) on sale of:		
AFS financial assets (Notes 26 and 27)	**(49,184)**	696
Property and equipment (Note 28)	**(295)**	(9,112)
Interest expense (Notes 13, 19 and 27)	**33,960**	56,022
Movements in pension liability	**16,391**	9,266
Unrealized foreign exchange gains - net	**(5,339)**	(3,085)
Dividend income (Note 28)	**(4,943)**	(4,426)
Accretion of interest on provision for mine rehabilitation and decommissioning (Notes 14 and 27)	**2,269**	1,523
Cost of share-based payment plan (Notes 16 and 24)	**948**	3,484
Operating income before working capital changes	**1,026,590**	1,361,499
Increase in:		
Trade and other receivables	**(103,730)**	(26,467)
Inventories	**(190,874)**	(274,636)
Prepayments and other current assets	**(183,813)**	(112,255)
Increase (decrease) in trade and other payables	**(36,572)**	16,478
Net cash generated from operations	**511,601**	964,619
Income taxes paid	**(7,080)**	(21,442)
Net cash flows from operating activities	**504,521**	943,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS financial assets	**897,971**	225,561
Property and equipment	**642**	11,256
Acquisitions of:		
Property and equipment (Note 8)	**(453,970)**	(381,805)
AFS financial assets (Note 7)	**(385,544)**	(300,355)
Increase in:		
Other noncurrent assets	**(117,103)**	(360,391)
Geothermal exploration and evaluation assets	**(2,121)**	(15,422)
Interest received	**69,595**	51,216
Dividends received	**4,495**	4,176
Net cash flows from (used in) investing activities	**13,965**	(765,764)

(Forward)

	2018	2017
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(₱710,000)**	(₱362,500)
Long-term debts	**(26,459)**	(19,640)
Interest paid	**(19,749)**	(41,960)
Decrease in deferred income	**(1,048)**	(1,048)
Net cash flows used in financing activities	**(757,256)**	(425,148)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(238,770)**	(247,735)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**9,645,932**	9,647,943
CASH AND CASH EQUIVALENTS AT MARCH 31 (Note 4)	**₱9,407,162**	₱9,400,208

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information

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

The common shares of the Parent Company were listed on the Philippine Stock Exchange (PSE) on November 22, 2010. The registered office address of the Parent Company is at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

<u>The Subsidiaries</u>

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

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

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

La Costa Shipping and Lighterage Corporation (LCSLC)
LCSLC was registered with the SEC on October 23, 1992, is a 100% owned subsidiary of the Parent Company through HMC, and is primarily engaged in the chartering out of LCT and providing complete marine services. LCSLC was acquired by HMC in April 2010. In a resolution dated May 6, 2014, the Board of Directors (BOD) of LCSLC authorized the sale of all of its LCT to HMC for a consideration.

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

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

Falck Exp Inc. (FEI)
FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (TMC), and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue was approved. Final dissolution will take place after the approval of FEI's application with the SEC. As at March 31, 2018, FEI is still waiting for the approval of SEC.

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

Newminco Pacific Mining Corporation (Newminco)
Newminco was registered with the SEC on October 9, 2006, is a 71.25% owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. It is currently not engaged in any development or commercial production activities.

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

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

Emerging Power Inc. (EPI)
EPI was registered with the SEC on October 16, 2007, is an 86.29% owned subsidiary of the Parent Company and is primarily engaged in the renewable energy business.

Mindoro Geothermal Power Corporation (MGPC)
MGPC was registered with the SEC on May 7, 2014, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in the renewable energy business.

By virtue of a Deed of Assignment of rights and obligations of EPI under Geothermal Renewable Energy Service Contract No. 2010-02-013 on November 24, 2014, MGPC acquired the exclusive rights to explore, develop and exploit geothermal resources covering a geothermal field in the municipality of Naujan, Oriental Mindoro.

Manta Energy Inc. (MEI)
MEI was registered with the SEC on May 21, 2007, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. On July 5, 2016, the Energy Regulatory Commission (ERC) approved MEI's registration as Registered Electric Supplier for a period of five (5) years, and renewable thereafter.

Biliran Holdings Inc. (BHI)
BHI was registered with the SEC on July 31, 2015, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidences of indebtedness or securities of this or any other corporation.

Jobin-SQM, Inc. (Jobin)
Jobin was registered with the SEC on January 6, 2010, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin was acquired by EPI on September 11, 2015. On May 23, 2016, Jobin entered into the testing and commissioning phase for the 7.14 MW Sta. Rita Solar Power Project. On November 7, 2016, Jobin was granted by ERC a Provisional Authority to Operate (PAO) to transition from testing and commissioning phase to actual production and operation phase for a period of six (6) months for its 7.14 MW Sta. Rita Solar Power Project pending approval of Jobin's dedicated point to point limited facilities to connect to the transmission system. On March 18, 2017, Jobin commenced testing and commissioning phase for the 25.19 MW Sta. Rita Solar Power Project and was granted by ERC a PAO to transition from testing and commissioning phase to actual production on September 27, 2017.

Biliran Geothermal Inc. (BGI)
BGI was registered with the SEC on October 31, 2007, is a 51.77% owned subsidiary of the Parent Company through EPI. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. On December 28, 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the Department of Energy. BGI was acquired by BHI on December 17, 2015.

Mantex Services Inc. (Mantex)
Mantex was registered with the SEC on March 26, 2012, is a 43.15% owned subsidiary of the Parent Company through EPI. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

The interim consolidated financial statements as at March 31, 2018 and December 31, 2017 and for the three-month period ended March 31, 2018 and 2017, were authorized for issuance by the Parent Company's BOD on May 3, 2018.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation
The accompanying interim consolidated financial statements of the Group as at March 31, 2018 and for the three-month period ended March 31, 2018 and 2017 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Accordingly, the unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at December 31, 2017.

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

	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2018	March 31, 2017
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%
DMC	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%**	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	**86.29%**	70.92%
MGPC [(d)]	Philippines	Renewable Energy Developer	**86.29%**	70.92%
MEI [(d)]	Philippines	Power Generation, Trading and Services	**86.29%**	70.92%
BHI [(d)]	Philippines	Services	**86.29%**	70.92%
Jobin [(d)]	Philippines	Power Generation	**86.29%**	70.92%
BGI [(d)]	Philippines	Power Generation	**51.77%**	42.55%
Mantex [(d)]	Philippines	Management and Advisory Services	**43.15%**	35.46%

	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2018	March 31, 2017
Associates				
THNC	Philippines	Manufacturing	**10.00%**	10.00%
CBNC	Philippines	Manufacturing	**10.00%**	10.00%

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

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

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

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

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

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

Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

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

<u>Changes in Accounting Policies</u>
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017, except for the adoption of the following amendments and improvements to existing standards and interpretations, which were effective beginning January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

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

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

The Group will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture. As at March 31, 2018, the Group has decided not to early adopt PFRS 9 on its consolidated financial statements.

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019:
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

Deferred Effectivity:
- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group will continue to evaluate the impact of the standards, interpretations and amendments in its consolidated financial statements for the year 2018. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

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

4. Cash and Cash Equivalents

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand and with banks	**₱1,101,162**	₱955,114
Cash under managed funds	**708,249**	177,014
Short-term cash investments	**7,597,751**	8,513,804
	₱9,407,162	₱9,645,932

5. Trade and Other Receivables

Trade and other receivables amounting to ₱46.1 million and ₱45.9 million as at March 31, 2018 and December 31, 2017 were impaired and fully provided for with allowance for impairment losses.

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

March 31, 2018 (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 29)	**₱733,135**	**₱5,073**	**₱41,407**	**₱779,615**
Current portion of loan receivable	**94,339**	–	–	**94,339**
Interest receivable	**66,586**	–	–	**66,586**
Advances to officers and employees	**34,992**	**13,072**	**123**	**48,187**
Receivable from CBNC (see Note 29)	**9,928**	**15,324**	–	**25,252**
Amounts owed by related parties (see Note 29)	**9,730**	–	–	**9,730**
Others	**713,703**	**19,360**	**4,597**	**737,660**
Total	**₱1,662,413**	**₱52,829**	**₱46,127**	**₱1,761,369**

December 31, 2017 (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 29)	₱602,348	₱17,383	₱41,152	₱660,883
Current portion of loan receivable	94,203	–	–	94,203
Interest receivable	53,619	–	–	53,619
Advances to officers and employees	34,562	14,160	123	48,845
Receivable from CBNC (see Note 29)	18,830	21,849	–	40,679
Amounts owed by related parties (see Note 29)	7,351	–	–	7,351
Others	40,820	–	4,597	45,417
Total	₱851,733	₱53,392	₱45,872	₱950,997

6. Inventories

As at March 31, 2018 and December 31, 2017, inventories amounting to ₱85.9 million and ₱85.6 million, respectively, were assessed to be impaired and were provided for with allowance for impairment losses. There was no provision or reversal of allowance for impairment losses on inventories for the three months ended March 31, 2018 and 2017.

The cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱3,371.3 million and ₱3,147.1 million as at March 31, 2018 and December 31, 2017, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱440.6 million and ₱441.0 million as at March 31, 2018 and December 31, 2017, respectively.

7. AFS Financial Assets

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at January 1	**₱6,658,420**	₱6,319,078
Additions	**394,950**	5,234,667
Disposals	**(1,541,759)**	(4,957,281)
Reclassification	**(3,634)**	–
Effect of changes in foreign exchange rate	**55,295**	1,033
Valuation gains (losses) on AFS financial assets	**(155,400)**	194,243
	5,407,872	6,791,740
Less provision for impairment losses	–	133,320
Balances at end of period	**₱5,407,872**	₱6,658,420

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

During the three-month period ended March 31, 2018 and 2017, the Group acquired various AFS financial assets amounting to ₱394.9 million and ₱297.9 million, respectively, and disposed AFS financial assets amounting to ₱1,541.8 million and ₱226.0 million, respectively.

Dividend income earned from AFS financial assets amounted to ₱4.9 million and ₱4.4 million for the three months ended March 31, 2018 and 2017, respectively (see Note 28).

Interest income earned from AFS financial assets amounted to ₱42.5 million and ₱21.3 million for the three months ended March 31, 2018 and 2017, respectively (see Note 26).

8. Property and Equipment

During the three-month period ended March 31, 2018 and 2017, the Group acquired assets with a cost of ₱454.0 million and ₱381.8 million, respectively, including construction in-progress.

Pier facilities (included under "Buildings and Improvements") with a carrying value of nil as at March 31, 2018 and December 31, 2017 were mortgaged as collateral for the long-term debt of RTN mentioned in Note 13.

Depreciation, amortization and depletion expense for the three-month period ended March 31, 2018 and 2017 amounted to ₱315.2 million and ₱353.4 million, respectively (see Note 25).

9. Investments in Associates

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
THNC	**₱2,247,617**	₱2,083,079
CBNC	**1,104,608**	869,053
	₱3,352,225	₱2,952,132

The movements in investments in associates follow:

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	THNC	**CBNC**	**Total**	THNC	CBNC	Total
Balances at January 1	**₱1,974,700**	**₱724,410**	**₱2,699,110**	₱1,974,700	₱724,410	₱2,699,110
Accumulated equity in net earnings (losses):						
Balances at January 1	**(371,303)**	**(53,639)**	**(424,942)**	(467,168)	(155,746)	(622,914)
Equity in net income	**81,052**	**113,634**	**194,686**	95,865	102,107	197,972
	(290,251)	**59,995**	**(230,256)**	(371,303)	(53,639)	(424,942)
Share in cumulative translation adjustment:						
Balances at January 1	**479,682**	**198,282**	**677,964**	317,564	188,327	505,891
Movements	**83,486**	**121,921**	**205,407**	162,118	9,955	172,073
	563,168	**320,203**	**883,371**	479,682	198,282	677,964
Balances at end of period	**₱2,247,617**	**₱1,104,608**	**₱3,352,225**	₱2,083,079	₱869,053	₱2,952,132

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱134.4 million and ₱113.8 million as at March 31, 2018 and December 31, 2017, respectively.

THNC

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

CBNC

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

The net assets of THNC and CBNC amounted to ₱20,095.1 million and ₱29,313.1 million, respectively, as at March 31, 2018, and ₱18,449.8 million and ₱26,957.6 million, respectively, as at December 31, 2017. The results of THNC's and CBNC's operations were net income of ₱810.5 million and ₱1,136.3 million, respectively, for the three months ended March 31, 2018 and net loss of ₱177.4 million and net income of ₱74.9 million, respectively, for the three months ended March 31, 2017. The Parent Company's share in cumulative translation adjustment amounted to ₱749.0 million and ₱564.2 million as at March 31, 2018 and December 31, 2017, respectively, and its equity in net income or losses of associates amounted to ₱194.7 million income and ₱10.2 million loss for the three months ended March 31, 2018 and 2017, respectively.

10. Geothermal Exploration and Evaluation Assets

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

As at March 31, 2018 and December 31, 2017, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

11. Long-term Stockpile Inventory

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN in August 20016. The low grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC. Subsequently, this fair value represented the cost of the long-term stockpile inventory.

A portion amounting to ₱212.0 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next financial reporting period, were shown as part of "Inventories" as at March 31, 2018 and December 31, 2017, and the cost of long-term stockpile inventory delivered to CBNC for the three months ended March 31, 2018 and 2017 of ₱32.7 million and ₱62.9 million, respectively, were charged to "Cost of sale of ore" (see Note 18).

The carrying value of long-term stockpile inventory - net of current portion amounted to ₱134.8 million and ₱167.6 million as at March 31, 2018 and December 31, 2017, respectively.

12. Trade and Other Payables

Trade and other payables include amounts payable to regular suppliers, accrued expenses, government payables and other payables. Trade, accrued expenses and other payables, excluding amounts due to Orka Geothermal Investments Pte. Ltd (OGI) and Biliran Geothermal Holdings Inc. (BGHI), which has no fixed repayment date (see Note 29), are noninterest-bearing and are generally settled on demand. Government payables include withholding taxes which are normally settled within fifteen (15) days after the end of each financial reporting month and fringe benefit tax which are normally settled within fifteen (15) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone were shipped. Royalties are paid on or before the deadline agreed with the Mines and Geosciences Bureau or other parties.

13. Short-term and Long-term Debts

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

Interest expense incurred in connection with the loans amounted to nil and ₱2.2 million for the three months ended March 31, 2018 and 2017, respectively (see Note 27).

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
EPI	**₱1,498,803**	₱1,498,159
TMC	**1,232,280**	1,179,596
Jobin	**277,537**	284,265
RTN	**–**	22,369
	3,008,620	2,984,389
Less noncurrent portion:		
TMC	**1,141,000**	1,092,219
Jobin	**257,082**	256,992
	1,398,082	1,349,211
Current portion	**₱1,610,538**	₱1,635,178

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

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

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

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Loans payable	**₱1,500,000**	₱1,500,000
Less unamortized debt issue cost	**(1,197)**	(1,841)
Balances at end of period	**₱1,498,803**	₱1,498,159

Interest expense for the three months ended March 31, 2018 and 2017 amounted to ₱17.9 million and ₱37.6 million, respectively (see Note 27).

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise, vis-a-vis such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at March 31, 2018 and December 31, 2017, EPI has been compliant with the covenants contained in the loan facility and agreements.

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to US$35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 2% spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone. The loan shall be drawn down in one or multiple times by July 31, 2011. As at March 31, 2018 and December 31, 2017, the total loan was fully drawn by TMC.

The interest on the loan is payable semi-annually, on October 10 and April 10. The total principal is payable in semi-annual installments of US$0.9 million starting on October 10, 2011 up to April 10, 2031.

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any Governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all Governmental approvals necessary to perform the obligations. As at March 31, 2018 and December 31, 2017, TMC is in compliance with the restrictions.

Interest expense for the three months ended March 31, 2018 and 2017 which amounted to ₱10.7 million and ₱10.3 million, respectively, were included in equipment operating cost under "Cost of services" (see Notes 19 and 29).

As at March 31, 2018 and December 31, 2017, the carrying amount of long-term debt with THNC amounted to ₱1,232.3 million and ₱1,179.6 million, respectively (see Note 29).

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

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

The loan agreement contains positive, negative and financial covenants which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, and the maintenance of certain financial and project ratios. As at March 31, 2018 and December 31, 2017, Jobin has been compliant with the covenants contained in the loan agreement.

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Loans payable	**₱279,546**	₱286,364
Less unamortized debt issue cost	**(2,009)**	(2,099)
Balances at end of period	**₱277,537**	₱284,265

Interest expense for the three months ended March 31, 2018 and 2017 amounted to ₱3.5 million and ₱3.7 million, respectively (see Note 27).

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

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

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

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any governmental authority affecting RTN. As at March 31, 2018 and December 31, 2017, RTN is in compliance with the restrictions.

Interest expense for the three months ended March 31, 2018 and 2017 amounted to ₱0.1 million and ₱0.6 million, respectively (see Notes 27 and 29).

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

14. Provision for Mine Rehabilitation and Decommissioning

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

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

For the three months ended March 31, 2018 and 2017, accretion interest on provision for mine rehabilitation and decommissioning amounted to ₱2.3 million and ₱1.5 million respectively (see Note 27).

15. Equity

Capital Stock
The capital structure of the Parent Company follows:

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

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

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

As at March 31, 2018 and December 31, 2017, 32% of the outstanding common shares of the Parent Company or a total of 2,414,936,882 common shares and 2,414,938,006 common shares, respectively, are registered in the name of eighty (80) and eighty-six (86) shareholders, respectively, while the balance of 68% or a total of 5,187,992,072 common shares and 5,187,990,948 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

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

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

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

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

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

16. Executive Stock Option Plan (ESOP)

2018 ESOP
On April 5, 2018, the BOD of the Parent Company approved the adoption of a New Plan which will be presented to the shareholders of the Parent Company for approval on May 28, 2018. The basic terms and conditions of the New Plan will be as follows:

1. The New Plan will cover up to 155.0 million shares allocated to the Parent Company's directors, officers and the officers of the operating mining subsidiaries.
2. The exercise price shall be the average of the closing price of shares of the Parent Company in the PSE over ten (10) trading days following the approval by the shareholders, less a discount of 10%.
3. The term of the Plan shall be five (5) years and the shares will vest to the participant yearly at a rate of 25% after the first year of the Plan or one year after execution of an Option Agreement.

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

4. The Plan covers up to 32.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
5. 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.
6. The exercise price is ₱25.52, which is equivalent to ₱8.51 after the effect of stock dividends.
7. The Plan was partially granted on June 6, 2014 and January 13, 2015.
8. The term of the Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% per year after the first year of the Plan or July 18, 2015.
9. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

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

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

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

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

There have been no modifications or cancellations in the three months ended March 31, 2018 and 2017.

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

	Number of Options	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
2014 ESOP		
Balances at January 1	**55,027,152**	56,222,764
Forfeited	**–**	(1,195,612)
Balances at end of period	**55,027,152**	55,027,152

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at January 1	**₱137,635**	₱126,622
Stock option expense (see Note 24)	**948**	11,013
Balances at end of period	**₱138,583**	₱137,635

17. Earnings Per Share

Basic and diluted EPS were computed as follows:

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	**₱575,997**	₱377,509
b. Weighted average number of common shares for basic EPS (in thousands)	**7,602,929**	7,602,929
c. Weighted average number of common shares adjusted for the effect of dilution (in thousands)	**7,602,929**	7,602,929
Basic/Diluted EPS	**₱0.08**	₱0.05

18. Cost of Sale of Ore

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Production overhead	**₱604,924**	₱543,847
Personnel costs (see Note 24)	**231,651**	201,541
Depreciation, amortization and depletion (see Note 25)	**209,111**	264,230
Outside services	**208,078**	223,403
Long-term stockpile inventory sold (see Note 11)	**32,712**	62,907
	1,286,476	1,295,928
Net changes in beneficiated nickel ore and limestone	**(224,278)**	(312,909)
	₱1,062,198	₱983,019

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

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

19. Cost of Services

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Personnel costs (see Note 24)	**₱24,945**	₱22,435
Depreciation (see Note 25)	**24,882**	26,527
Overhead	**21,202**	18,865
Equipment operating cost	**17,236**	15,216
Outside services	**2,711**	2,517
	₱90,976	₱85,560

Equipment operating cost includes interest expense amounting to ₱10.7 million and ₱10.3 million for the three months ended March 31, 2018 and 2017, respectively (see Note 13).

20. Cost of Power Generation

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Depreciation and amortization (see Note 25)	**₱35,982**	₱7,092
Overhead	**8,605**	2,687
Purchased power	**8,360**	5,742
Distribution wheeling service charges	**3,537**	–
Personnel costs (see Note 24)	**3,390**	1,621
Outside services	**2,397**	1,707
Materials and supplies	**133**	93
	₱62,404	₱18,942

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

21. Shipping and Loading Costs

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Contract fees	**₱116,162**	₱92,058
Other services and fees	**34,765**	18,801
Fuel, oil and lubricants	**30,284**	20,803
Depreciation and amortization (see Note 25)	**27,640**	31,885
Personnel costs (see Note 24)	**16,130**	13,319
Materials and supplies	**13,612**	14,056
	₱238,593	₱190,922

22. General and Administrative Expenses

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Personnel costs (see Note 24)	**₱80,162**	₱67,031
Taxes and licenses	**30,022**	17,094
Depreciation and amortization (see Note 25)	**16,749**	13,516
Professional fees	**13,593**	14,778
Outside services	**12,000**	11,212
Transportation and travel	**6,929**	5,158
Repairs and maintenance	**4,981**	6,382
Entertainment, amusement and recreation	**4,617**	2,392
Communications, light and water	**3,430**	3,286
Others	**57,757**	34,773
	₱230,240	₱175,622

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

23. Excise Taxes and Royalties

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Excise taxes	**₱78,185**	₱46,151
Royalties	**63,294**	59,487
	₱141,479	₱105,638

24. Personnel Costs

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Salaries, wages and employee benefits	**₱355,330**	₱302,463
Cost of share-based payment plan (see Note 16)	**948**	3,484
	₱356,278	₱305,947

The amounts of personnel costs are distributed as follows:

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Cost of :		
Sale of ore (see Note 18)	**₱231,651**	₱201,541
Services (see Note 19)	**24,945**	22,435
Power generation (see Note 20)	**3,390**	1,621
General and administrative (see Note 22)	**80,162**	67,031
Shipping and loading costs (see Note 21)	**16,130**	13,319
	₱356,278	₱305,947

25. Depreciation, Amortization and Depletion

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

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Cost of:		
Sale of ore (see Note 18)	**₱209,111**	₱264,230
Services (see Note 19)	**24,882**	26,527
Power generation (see Note 20)	**35,982**	7,092
Shipping and loading costs (see Note 21)	**27,640**	31,885
General and administrative (see Note 22)	**16,749**	13,516
Others	**885**	10,156
	₱315,249	₱353,406

26. Finance Income

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Interest income (see Note 7)	**₱82,562**	₱59,573
Gain on sale of AFS financial assets	**49,184**	–
	₱131,746	₱59,573

27. Finance Expenses

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Interest expense on:		
Long-term debts (see Note 13)	**₱21,483**	₱41,875
Pension	**1,490**	1,218
Long-term payable	**288**	331
Short-term debt (see Notes 13 and 29)	**–**	2,250
Guarantee service fee (see Note 29)	**16,448**	16,584
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 14)	**2,269**	1,523
Loss on sale of AFS financial assets	**–**	696
	₱41,978	₱64,477

28. Other Income (Charges) - Net

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Foreign exchange gains - net	**₱344,007**	₱66,618
Other services	**7,783**	560
Management fee	**(6,894)**	(2,814)
Dividend income (see Note 7)	**4,943**	4,426
Rentals and accommodations	**2,978**	3,220
Despatch	**1,160**	471
Gain on sale of property and equipment	**295**	9,112
Issuance of fuel, oil and lubricants	**(71)**	(5,911)
Others	**18,076**	9,375
	₱372,277	₱85,057

29. Related Party Transactions

Set out below are the Group's transactions with related parties for the three-month period ended March 31, 2018 and 2017, including the corresponding assets and liabilities arising from the said transactions as at March 31, 2018 (Unaudited) and December 31, 2017 (Audited):

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Long-term Debts (see Note 13)			
	March 31, 2018	March 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	Terms	Conditions
Stockholders														
Pacific Metals Co., Ltd.														
Sale of ore	**₱173,271**	₱603,801	**₱30,454**	₱113,209	**₱–**	₱141	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	90% upon receipt of documents and 10% after the final dry weight and applicable assay have been determined; noninterest-bearing	Unsecured; no guarantee
Despatch	**1,160**	471	**–**	405	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM/Sumitomo Metal Mining Philippine Holdings Corporation														
Guarantee service fee (see Note 27)	**16,448**	16,584	**–**	–	**4,618**	21,086	**–**	–	**–**	–	**–**	–	Every twenty first (21st) of February, March, August and September	Unsecured

(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		Long-term Debts (see Note 13)			
	March 31, 2018	March 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	Terms	Conditions
SMM/Sumitomo Metal Mining Philippine Holdings Corporation														
Loan facility	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱22,369	Principal is payable in semi-annual installments, interest is based on 180-day British Banker Association LIBOR plus 2% spread	Secured; with guarantee
Short-term advances	**1,250**	28,004	**–**	–	**–**	–	**1,250**	–	**28,000**	28,000	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 13 and 27)	**137**	560	**–**	–	**–**	182	**–**	–	**–**	–	**–**	–	Payable semi-annually on February 28 and August 31	Secured; with guarantee
Nickel Asia Holdings Inc.														
Short-term advances	**1**	1	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	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		Long-term Debts (see Note 13)			
	March 31, 2018	March 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	Terms	Conditions
With Common Stockholders														
Manta Equities, Inc.														
Rentals, dues and utilities	**₱7,427**	₱7,042	**₱–**	₱–	**₱33**	₱193	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**10,205**	10,205	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon the end of the lease; noninterest bearing	Unsecured; no guarantee
Interest expense on short-term debt (see Note 27)	**–**	2,250	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Interest is payable at the end of loan agreement	Unsecured; no guarantee
Sale of power	**6,497**	6,649	**2,430**	2,506	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Associates														
CBNC														
Sale of ore	**456,573**	348,548	**167,136**	102,830	**–**	–	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Materials handling	**44,472**	35,067	**35,735**	28,187	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**9,069**	13,001	**2,600**	30,936	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; 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		Long-term Debts (see Note 13)			
	March 31, 2018	March 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	Terms	Conditions
CBNC														
Other income	**₱13,519**	₱13,468	**₱22,652**	₱9,743	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
THNC														
Sale of ore	**511,080**	257,223	**94,647**	168,162	**–**	–	**–**	–	**–**	–	**–**	–	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Materials handling	**61,303**	69,106	**37,064**	28,418	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; non-interest bearing	Unsecured; no guarantee
Rendering of service	**35,568**	34,977	**69,853**	33,433	**–**	–	**–**	–	**–**	–	**–**	–	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Rental income	**1,676**	1,676	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	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	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,232,280**	1,179,596	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread	Unsecured; with guarantee

(Forward)

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties		Long-term Debts (see Note 13)			
	March 31, 2018	March 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017	Terms	Conditions
THNC														
Rendering of other services	**₱–**	₱1,331	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Collectible upon billing; non-interest bearing	Unsecured; no guarantee
Short-term advances	**–**	–	**–**	–	**–**	–	**7,794**	6,666	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 13 and 19)	**10,699**	10,348	**–**	–	**16,670**	7,656	**–**	–	**–**	–	**–**	–	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Affiliates														
Orka Geothermal Holdings, Inc.														
Short-term advances	**1**	–	**–**	–	**–**	–	**667**	666	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
OGI														
Short-term advances	**–**	–	**–**	–	**–**	–	**–**	–	**1,121,062**	1,121,062	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
BGHI														
Short-term advances	**–**	–	**–**	–	**–**	–	**19**	19	**4,194,305**	4,194,305	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
			₱462,571	₱517,829	**₱24,673**	₱32,610	**₱9,730**	₱7,351	**₱5,343,367**	₱5,343,367	**₱1,232,280**	₱1,201,965		

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 March 31, 2018 and December 31, 2017 pertain to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash.

Compensation of Key Management Personnel
The Group considers as key management personnel all employees holding managerial positions up to the chairman. The short-term benefits of key management personnel of the Group for the three months ended March 31, 2018 and 2017 amounted to about ₱49.9 million and ₱42.5 million, respectively.

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

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

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

30. Income Taxes

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

	For the three-month period ended March 31	
	2018	2017
	(Unaudited)	
Current	**₱225,108**	₱389,494
Deferred	**42,172**	(41,419)
	₱267,280	₱348,075

31. Financial Instruments

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

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

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

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

Long-term Negotiable Instruments
The carrying amount long-term negotiable instruments approximate their fair values since interest are earned based on long-term cash investment rates.

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

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

Fair Value Hierarchy of Financial Instruments
The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:
- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market date (unobservable inputs; Level 3).

As at March 31, 2018 and December 31, 2017, the Group's AFS financial assets are classified under Level 1 and 3.

As at March 31, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

32. Business Segment Information

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

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

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

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

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

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

	March 31, 2018 (Unaudited)											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	-	-	724,952	1,229,670	-	59,862	-	148,710	747	-	-	2,163,941
Inter-segment revenues	-	-	-	-	-	-	-	-	-	87,078	(87,078)	-
Total revenues	-	-	724,952	1,229,670	-	59,862	-	148,710	747	87,078	(87,078)	2,163,941
Cost of sale of ore	-	-	380,447	681,751	-	-	-	-	-	-	-	1,062,198
Cost of services	-	-	-	-	-	-	-	90,482	494	-	-	90,976
Cost of power generation	-	-	-	-	-	62,404	-	-	-	-	-	62,404
Shipping and loading costs	24,060	9,657	74,251	128,247	-	-	-	-	2,378	-	-	238,593
Excise taxes and royalties	-	7,500	72,495	61,484	-	-	-	-	-	-	-	141,479
Segment operating earnings (loss)	(24,060)	(17,157)	197,759	358,188	-	(2,542)	-	58,228	(2,125)	87,078	(87,078)	568,291
General and administrative	25,913	7,404	29,065	25,916	23,816	25,448	14,325	-	-	78,353	-	230,240
Finance income	823	6,975	6,490	5,871	13	36	4	-	-	111,534	-	131,746
Finance expenses	-	697	980	1,426	-	21,346	-	-	-	17,529	-	41,978
Provision for (benefit from) income tax	31	1,987	74,275	107,358	-	(154)	-	-	(713)	84,496	-	267,280
Net income (loss) attributable to equity holders of the parent	(40,400)	(11,649)	130,437	205,301	(23,661)	(43,339)	(14,321)	-	-	373,629	-	575,997
Segment assets	1,490,946	2,279,600	8,616,663	4,351,967	1,227,764	11,730,055	845,107	-	37,327	15,177,681	-	45,757,110
Deferred income tax assets - net	43,899	25,555	61,423	29,699	22,535	-	-	-	-	-	-	183,111
Total assets	1,534,845	2,305,155	8,678,086	4,381,666	1,250,299	11,730,055	845,107	-	37,327	15,177,681	-	45,940,221
Segment liabilities	196,188	401,365	2,027,711	852,991	130,389	7,258,360	1,012	-	-	416,498	-	11,284,514
Deferred income tax liabilities - net	-	-	-	174,832	164,105	112,672	-	-	19,701	190,749	-	662,059
Total liabilities	196,188	401,365	2,027,711	1,027,823	294,494	7,371,032	1,012	-	19,701	607,247	-	11,946,573
Capital expenditures	40,030	147,020	156,547	90,846	13,261	2,110	3,106	-	-	1,050	-	453,970
Depreciation, amortization and depletion	56,032	41,184	134,972	31,713	4,908	37,742	1,151	-	2,378	5,169	-	315,249

	December 31, 2017											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	₱2,326,086	₱2,248,439	₱5,728,026	₱4,594,530	₱–	₱212,152	₱–	₱630,063	₱–	₱–	₱–	₱15,739,296
Inter-segment revenues	–	–	–	–	–	–	–	–	3,976	550,635	(554,611)	–
Total revenues	2,326,086	2,248,439	5,728,026	4,594,530	–	212,152	–	630,063	3,976	550,635	(554,611)	15,739,296
Cost of sale of ore	931,522	846,174	2,184,112	2,071,433	–	–	–	–	–	–	–	6,033,241
Cost of services	–	–	–	–	–	–	–	351,339	–	–	–	351,339
Cost of power generation	–	–	–	–	–	257,276	–	–	–	–	–	257,276
Shipping and loading costs	447,781	379,990	505,921	283,205	–	–	–	–	9,513	–	–	1,626,410
Excise taxes and royalties	162,826	344,781	458,242	137,837	–	–	–	–	–	–	–	1,103,686
Marketing	4,272	78,695	8,748	4,749	–	–	–	–	–	–	–	96,464
Segment operating earnings (loss)	₱779,685	₱598,799	₱2,571,003	₱2,097,306	₱–	(₱45,124)	₱–	₱278,724	(₱5,537)	₱550,635	(₱554,611)	₱6,270,880
General and administrative	₱87,442	₱36,480	₱125,379	₱59,073	₱69,898	₱117,647	₱27,400	₱–	₱–	₱339,834	₱–	₱863,153
Finance income	₱5,978	₱30,574	₱34,594	₱31,398	₱85	₱903	₱–	₱–	₱–	₱212,771	₱–	₱316,303
Finance expenses	₱2,757	₱5,531	₱13,014	₱9,956	₱1,067	₱143,142	₱–	₱–	₱–	₱71,148	₱–	₱246,615
Provision for (benefit from) income tax	₱146,220	₱140,563	₱721,040	₱611,662	₱15,258	(₱11,646)	₱–	₱–	(₱2,854)	₱116,613	₱–	₱1,736,856
Net income (loss) attributable to equity holders of the parent	₱500,093	₱416,018	₱1,328,377	₱1,019,140	(₱86,635)	(₱193,171)	(₱27,398)	₱–	₱–	(₱185,656)	₱–	₱2,770,768
Segment assets	₱1,615,725	₱2,278,744	₱9,305,400	₱4,760,082	₱1,209,246	₱11,816,229	₱836,478	₱–	₱33,592	₱13,548,509	₱–	₱45,404,005
Deferred income tax assets	47,738	32,692	85,256	63,429	52,108	–	–	–	–	51,871	–	333,094
Total assets	₱1,663,463	₱2,311,436	₱9,390,656	₱4,823,511	₱1,261,354	₱11,816,229	₱836,478	₱–	₱33,592	₱13,600,380	₱–	₱45,737,099
Segment liabilities	₱264,974	₱386,564	₱2,221,117	₱1,004,573	₱121,480	₱7,340,591	₱7,790	₱–	₱–	₱404,948	₱–	₱11,752,037
Deferred income tax liabilities - net	3,839	5,542	15,412	218,451	193,679	112,826	–	–	20,415	196,710	–	766,874
Total liabilities	₱268,813	₱392,106	₱2,236,529	₱1,223,024	₱315,159	₱7,453,417	₱7,790	₱–	₱20,415	₱601,658	₱–	₱12,518,911
Capital expenditures	₱80,245	₱210,998	₱341,973	₱86,517	₱81,642	₱637,543	₱27,607	₱–	₱–	₱27,933	₱–	₱1,494,458
Depreciation, amortization and depletion	₱265,899	₱150,875	₱549,083	₱310,915	₱7,866	₱161,027	₱2,472	₱–	₱9,513	₱22,395	₱–	₱1,480,045

	March 31, 2017 (Unaudited)											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	-	-	578,221	1,729,341	-	36,708	-	148,578	-	-	-	2,492,848
Inter-segment revenues	-	-	-	-	-	-	-	-	3,976	72,921	(76,897)	-
Total revenues	-	-	578,221	1,729,341	-	36,708	-	148,578	3,976	72,921	(76,897)	2,492,848
Cost of sale of ore	19	(747)	373,649	610,098	-	-	-	-	-	-	-	983,019
Cost of services	-	-	-	-	-	-	-	85,560	-	-	-	85,560
Cost of power generation	-	-	-	-	-	18,942	-	-	-	-	-	18,942
Shipping and loading costs	23,104	14,275	41,845	109,321	-	-	-	-	2,377	-	-	190,922
Excise taxes and royalties	-	7,500	46,258	51,880	-	-	-	-	-	-	-	105,638
Segment operating earnings (loss)	(23,123)	(21,028)	116,469	958,042	-	17,766	-	63,018	1,599	72,921	(76,897)	1,108,767
General and administrative	18,234	6,257	24,597	16,860	13,299	28,026	-	-	-	68,349	-	175,622
Finance income	730	7,099	6,494	6,610	34	596	-	-	-	38,010	-	59,573
Finance expenses	-	591	1,083	1,000	-	43,565	-	-	-	18,238	-	64,477
Provision for (benefit from) income tax	304	820	38,601	285,315	-	(154)	-	-	(713)	23,902	-	348,075
Net income (loss) attributable to equity holders of the parent	(50,319)	(21,318)	85,807	436,184	(13,123)	(26,197)	(5,504)	-	-	(28,021)	-	377,509
Segment assets	1,554,276	2,266,669	8,764,194	5,847,717	1,129,098	11,808,946	795,097	-	22,828	13,644,810	-	45,833,635
Deferred income tax assets - net	33,141	26,085	68,737	27,460	37,757	-	-	-	-	-	-	193,180
Total assets	1,587,417	2,292,754	8,832,931	5,875,177	1,166,855	11,808,946	795,097	-	22,828	13,644,810	-	46,026,815
Segment liabilities	223,147	408,887	1,989,994	1,279,547	74,160	9,015,293	1,111	-	-	310,619	-	13,302,758
Deferred income tax liabilities - net	-	-	-	215,115	164,105	124,647	-	-	22,555	173,840	-	700,262
Total liabilities	223,147	408,887	1,989,994	1,494,662	238,265	9,139,940	1,111	-	22,555	484,459	-	14,003,020
Capital expenditures	29,337	151,537	105,321	19,895	46,763	5,086	11,384	-	-	12,482	-	381,805
Depreciation, amortization and depletion	68,989	33,816	140,932	93,228	1,530	8,854	218	-	-	5,839	-	353,406

The Group has revenues from external customers as follows:

	For the three-month period ended March 31	
	2018	2017
Country of Domicile	(Unaudited)	
Local	**₱1,205,465**	₱823,032
China	**785,205**	1,066,015
Japan	**173,271**	603,801
	₱2,163,941	₱2,492,848

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

Revenue arising from two key customers for the sale of ores amounted to ₱1,452.6 million and ₱1,478.0 million for the three months ended March 31, 2018 and 2017, respectively.

The Group has noncurrent assets consisting of property and equipment and investment properties located in the Parent Company's country of domicile amounting to ₱15,556.8 million and ₱15,418.9 million as at March 31, 2018 and December 31, 2017, respectively.