# COVER SHEET

CS200811530

SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

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

**EMMANUEL L. SAMSON**

(Contact Person)

**892-6669 / 892-4177**

(Company Telephone Number)

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

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

| 99 | ₱2,894.1 million | – |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

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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, 2019**
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, 2019**
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** | **13,673,869,117 shares** |
| **Long-term Debt** | **Php2,894.1 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 8, 2019

**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 2019 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, 2019.

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, 2019

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**PART I – FINANCIAL INFORMATION**

**Item A. Financial Statements**

The Unaudited Interim Consolidated Financial Statements as at March 31, 2019 (with Comparative Audited Statement of Financial Position as at December 31, 2018) and for the three-month period ended March 31, 2019 and 2018 are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2019 and 2018 and as at March 31, 2019 and December 31, 2018:

**Summary Consolidated Statements of Income**

| | For the Quarter Ended March 31 | | Increase | Percent |
|---|---|---|---|---|
| | 2019 | 2018 | (Decrease) | Inc (Dec) |
| | *(In Thousand Pesos)* | | | |
| Revenue from contracts with customers | 1,975,549 | 2,163,941 | (188,392) | -9% |
| Costs | (1,184,429) | (1,215,578) | (31,149) | -3% |
| Operating expenses | (515,528) | (609,152) | (93,624) | -15% |
| Finance income | 102,552 | 78,758 | 23,794 | 30% |
| Finance expenses | (56,836) | (41,978) | 14,858 | 35% |
| Equity in net income (losses) of associates | (25,286) | 194,686 | (219,972) | -113% |
| Other income - net | 114,255 | 286,896 | (172,641) | -60% |
| Provision for income tax - net | (128,901) | (249,388) | (120,487) | -48% |
| Net income | 281,376 | 608,185 | (326,809) | -54% |
| | | | | |
| Net income attributable to: | | | | |
| Equity holders of the parent | 147,636 | 456,680 | (309,044) | -68% |
| Non-controlling interests | 133,740 | 151,505 | (17,765) | -12% |
| | 281,376 | 608,185 | (326,809) | -54% |

**Summary Consolidated Statements of Financial Position**

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|---|
| | *(In Thousand Pesos)* | | | |
| Current assets | 20,510,160 | 20,980,750 | (470,590) | -2% |
| Noncurrent assets | 25,118,326 | 25,051,757 | 66,569 | 0% |
| Total assets | 45,628,486 | 46,032,507 | (404,021) | -1% |
| | | | | |
| Current liabilities | 9,269,506 | 9,866,090 | (596,584) | -6% |
| Noncurrent liabilities | 2,567,039 | 2,715,587 | (148,548) | -5% |
| Equity attributable to equity holders of the Parent | 29,872,078 | 29,664,707 | 207,371 | 1% |
| Non-controlling interests | 3,919,863 | 3,786,123 | 133,740 | 4% |
| Total liabilities and equity | 45,628,486 | 46,032,507 | (404,021) | -1% |
| | - | - | | |

**Summary Consolidated Statements of Cash Flows**

| | For the Quarter Ended March 31 | | Increase | Percent |
|---|---|---|---|---|
| | 2019 | 2018 | (Decrease) | Inc (Dec) |
| | *(In Thousand Pesos)* | | | |
| Net cash flows from (used in): | | | | |
| Operating activities | 188,594 | 514,123 | (325,529) | -63% |
| Investing activities | (602,381) | 14,781 | (617,162) | 4175% |
| Financing activities | (779,609) | (757,256) | 22,353 | 3% |
| Net decrease in cash and cash equivalents | (1,193,396) | (228,352) | (965,044) | -423% |
| Cash and cash equivalents, beginning | 10,784,369 | 9,635,514 | 1,148,855 | 12% |
| Cash and cash equivalents, end | 9,590,973 | 9,407,162 | 183,811 | 2% |

## 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, 2019 and 2018, 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, 2019 compared with three months ended March 31, 2018**

*Revenue from Contracts with Customers*

Our total revenue in the first quarter of 2019 was ₱1,975.5 million, lower by ₱188.4 million or 9%, compared to ₱2,163.9 million in the same period last year.

*Sale of ore*

Lower ore shipment revenue was one of the factors that led to the drop in the Group’s earnings for the first quarter of 2019.

The Group sold an aggregate of 2.89 million wet metric ton (WMT) of nickel ore during the first quarter of the year as against 3.09 million WMT in the previous year. Ore deliveries to the two processing plants, which increased from 2.00 million WMT to 2.14 million WMT this year, was not sufficient to offset the decline in ore export volumes, which fell to 0.75 million WMT from 1.09 million WMT last year.

The realized peso to US dollar exchange rate for ore sales was ₱52.19 during the first quarter of 2019 compared to ₱51.68 in the same period last year.

In terms of price, the Group realized an average of $5.56 per pound of payable nickel on its shipments of ore to the two HPAL plants, the pricing of which is linked to the London Metal Exchange (LME). This compares to an average price of $6.02 per pound of payable nickel sold in 2018. With respect to export sales, the Group achieved an average price of $19.01 per WMT compared to $17.82 per WMT realized in the prior year. On a combined basis, the average price received for sales of both ore exports and ore deliveries to the two plants in 2019 was $10.63 per WMT, lower than the $11.85 achieved in 2018.

On a per mine basis, the Group's Rio Tuba mine exported 581.28 thousand WMT of saprolite ore and delivered 980.52 thousand WMT of limonite ore to the Coral Bay processing plant in the first quarter of 2019. This compares to sales of 821.54 thousand WMT of saprolite ore and 983.96 thousand WMT of limonite ore to the Coral Bay processing plant during the same period last year.

The Group's Taganito mine shipped 56.90 thousand WMT of limonite ore and delivered 1,162.11 thousand WMT of limonite ore to the Taganito processing plant in the first quarter of 2019. This compares to sales of 268.36 thousand WMT of saprolite and limonite ore and 1,017.52 thousand WMT of limonite ore delivered to the Taganito processing plant for the comparable period last year.

Moreover, Hinatuan and Cagdianao mine were able to shipped 56.63 thousand WMT of limonite ore and 54.47 thousand WMT of saprolite ore, respectively, during the first quarter of 2019 while there was none last year.

Rio Tuba's revenue from sale of limestone was slightly higher by 1% at ₱105.0 million in the first quarter of 2019 compared to ₱104.3 million in the same period last year.

*Services and Others*

Our revenue from services and others slightly increased to ₱479.7 million from ₱478.5 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*

Revenue from sale of power grew by 56% to ₱93.1 million from ₱59.9 million mainly due to a combination of favorable selling prices and higher operating capacity, from 30.82 megawatt (MW) to 32.33 MW, for the solar plant. Moreover, the diesel power plant in Surigao started the commercial operations of its two (2) generator sets in June and December 2018, thus additional revenue from power generation activities were recognized.

<u>*Costs*</u>

Our costs went down by 3% or ₱31.1 million, from ₱1,215.6 million to ₱1,184.4 million.

*Cost of Sale of Ore*

Our cost from sale of ore decreased by 8% to ₱981.0 million compared to ₱1,062.2 million in the same period last year. During the recent quarter, the production volume was higher, triggered by earlier than scheduled start of shipments for the year and also in preparation for the volume requirement of CBNC's processing plant during rainy season, however, most of the materials moved remained in inventory as of end of the quarter.

*Cost of Services*

Cost of services grew by 8% to ₱98.0 million from ₱91.0 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 the 12% increase in materials handled by RTN for CBNC.

*Cost of Power Generation*
Cost of power generation climbed by 69% to ₱105.4 million from ₱62.4 million in the first quarter of 2019 because of Jobin-SQM, Inc.'s (Jobin) higher operation and maintenance cost for the 32.33 MW plus the diesel power plant in Surigao already started the commercial operations of its two (2) generator sets in June and December 2018.

*Operating Expenses*
*Shipping and Loading Costs*
Shipping and loading costs decline by 44% because of the decrease in the number of shipments from twenty six (26) vessels in the first quarter of 2018 to twenty (20) vessels during the first quarter of 2019. In effect, stevedoring and wharfage charges and Landing Craft Transport rentals dropped during the period.

*Excise Taxes and Royalties*
Our excise taxes and royalties slid by 9% to ₱129.4 million from ₱141.5 million which was triggered mainly by lower shipment during the recent quarter.

*General and Administrative*
General and administrative expenses rose by 9% from ₱230.2 million to ₱250.7 million in the first quarter of 2019 due to accrual of 2018 stock options, which forms part of personnel cost, and annual increase in employee rates.

*Finance Income*
Finance income went up by 30% to ₱102.6 million from ₱78.8 million as a result of higher interest income from short-term cash placements.

*Finance Expenses*
Finance expenses rose by 35% to ₱56.8 million from ₱42.0 million due to repricing of interest rate for bank loans from an average of 4.70% in the first quarter of 2018 to an average of 7.00% in the first quarter of 2019.

*Equity in Net Income (Losses) of Associates*
Our equity in THNC and CBNC dropped from net earnings of ₱194.7 million to a net loss of ₱25.3 million during the first quarter of 2019. In addition to weaker nickel and cobalt prices, a scheduled three-week maintenance shutdown of the Taganito HPAL plant took place in March this year.

*Other Income - Net*
Other income - net went down by 60% to ₱114.3 million from ₱286.9 million mainly due to stronger peso-US dollar exchange rate resulting to a net foreign exchange loss of ₱6.7 million during the first quarter of 2019, a huge turnaround from net foreign exchange gain of ₱344.0 million in the same period last year. However, the decline in the first quarter of 2019 was partially offset by the:
1) gains from fair value changes of financial assets amounting to ₱72.3 million, as a result of improved market condition, compared to ₱78.4 million loss last year; and 2) rent income arising from capital recovery fee billed to Surigao Del Norte Electric Cooperative, Inc. by the Parent Company's diesel power plant, which started commercial operation on June 26, 2018.

*Provision for Income Tax - Net*
Our net provision for income tax was lower by 48% due to lower taxable income base because some of the operating companies were in a net taxable loss position during the recent quarter.

*Net Income*

As a result of the foregoing, our consolidated net income was ₱281.4 million in the first quarter of 2019 compared to ₱608.2 million in the first quarter of 2018. Net of non-controlling interests, our net income was ₱147.6 million in the first quarter of 2019, which was lower by 68% compared to ₱456.7 million in the same period last year.

**Statement of Financial Position**

As at March 31, 2019, total assets dropped to ₱45,628.5 million from ₱46,032.5 million as of the end of 2018. Current assets slightly went down to ₱20,510.2 million from ₱20,980.8 million following the net decrease in our cash by ₱1,193.4 million due to payments of cash dividends, acquisitions of property and equipment and net acquisitions of financial assets in debt and equity securities. However, the decrease was partially offset by the increase in our inventories by ₱457.4 million.

Noncurrent assets slightly improved from ₱25,051.8 million to ₱25,118.3 million which was propelled by the additional ₱63.5 million in Jobin's project development cost.

Current liabilities dropped by 6% to ₱9,269.5 million from ₱9,866.1 million due to payments of cash dividends amounting to ₱740.0 million, including the related withholding taxes, during the first quarter of the recent year.

Noncurrent liabilities slid by 5% to ₱2,567.0 million from ₱2,715.6 million due to decrease in deferred income tax liabilities by ₱156.3 million because of the appreciation of peso against US dollar.

Our equity net of non-controlling interests slightly improved by 1% to ₱29,872.1 million resulting from continued profitable operations during the first quarter of the year, additional accrual for 2018 stock options, and reversal of losses arising from the valuation of financial assets.

**Statement of Cash Flows**

Net cash from operating activities in the first quarter of 2019 amounted to ₱188.6 million compared to ₱514.1 million in the same period last year. It went down in 2019 due to lower shipment revenues.

Cash from or used in investment activities arose from net acquisitions and/or disposals of property and equipment and financial assets in debt and equity securities and additions to project development costs. In the first quarter of 2019, net acquisitions of financial assets and property and equipment amounted to ₱134.0 million and ₱293.0 million, respectively. In addition, spending for project development cost was higher in the recent quarter at ₱66.8 million compared to ₱5.5 million in the same period last year. In the first quarter of 2018, the net acquisitions of property and equipment of ₱453.3 million was offset by the proceeds from sale of financial assets in debt and equity securities of ₱517.0 million.

In the first quarter of 2019 and 2018, the Group paid cash dividends, short-term and long-term debts, including interest< which amounted to a total of ₱776.3 million and ₱756.2 million, respectively. As at March 31, 2019 and 2018, cash and cash equivalents amounted to ₱9,591.0 million and ₱9,407.2 million, respectively.

**KEY PERFORMANCE INDICATORS**

1) ***TOTAL COST PER VOLUME SOLD***

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

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

The average cost per volume of ore sold for the first quarter of 2019 was ₱485.32 per WMT on the basis of aggregate costs of ₱1,403.5 million and a total sales volume of 2.89 million WMT of ore. This compares to ₱505.92 per WMT during the same period in 2018 on the basis of aggregate costs of ₱1,564.0 million and a total sales volume of 3.09 million WMT of ore.

2) ***ATTRIBUTABLE NET INCOME***

Attributable net income represents the portion of consolidated profit or loss for the period, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company for the first quarter of 2019 was ₱147.6 million compared to ₱456.7 million in the same period last year.

3) ***NUMBER OF HECTARES REHABILITATED/REFORESTED***

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. To manage environmental impacts, the Company's subsidiaries have an Environmental Protection and Enhancement Program (EPEP). This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. A major component under our EPEP is the rehabilitation and reforestation of the areas affected by our mining operations. We also participate in the government’s National Greening Program where we plant trees and/or donate seedlings outside of our mining properties. For the first quarter of 2019 and 2018, the Group has rehabilitated and reforested a total of 48 hectares and 17 hectares, respectively, with corresponding number of trees planted of about 111,396 and 67,223, respectively.

4) ***FREQUENCY RATE***

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations. We measure our safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the period. Our frequency rate was nil for the first quarter of 2019 and 2018 .

**Liquidity and Capital Resources**

As of March 31, 2019 and December 31, 2018, 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 or during their commercial operations will be used to pay-off the debt.

As of March 31, 2019 and December 31, 2018, our working capital, defined as the difference between our current assets and current liabilities, was ₱11,240.7 million and ₱11,114.7 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 Taganito properties and Emerging Power Inc.'s (EPI) solar project and other 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 dollar on transactions in currencies other than Peso. Such exposure arises mainly from cash and cash equivalents, financial assets in debt and equity securities, long-term debt and sales of beneficiated nickel ore denominated in US dollar. Because almost all of our revenues are earned in US dollar while most of our expenses are paid in Peso, appreciation of the Peso against the US dollar effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents, financial assets in debt and equity securities and long-term debt are denominated in US dollar, the appreciation of the peso against the US dollar 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 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.

**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.

**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 the 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, 2019, 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, 2019 and December 31, 2018, 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, 2019 AND 2018**

| | **2019** | 2018 |
|---|---|---|
| A. *Liquidity analysis ratios* | | |
| Current ratio or working capital ratio | **2.21** | 2.27 |
| Quick ratio | **1.63** | 1.74 |
| Solvency ratio | **3.85** | 3.86 |
| | | |
| B. *Financial leverage ratios* | | |
| Debt ratio | **0.26** | 0.26 |
| Debt-to-equity ratio | **0.35** | 0.35 |
| Asset-to-equity ratio | **1.35** | 1.35 |
| Interest coverage ratio | **8.84** | 26.25 |
| | | |
| C. *Profitability ratios* | | |
| Net profit margin | **0.14** | 0.28 |
| Return on assets | **0.01** | 0.01 |
| Return on equity | **0.01** | 0.02 |
| Gross profit margin | **0.40** | 0.44 |
| Price/earnings ratio | **249.00** | 113.00 |

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **NICKEL ASIA CORPORATION**

By:

Martin Antonio G. Zamora
President

May 8, 2019

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

May 8, 2019

**NICKEL ASIA CORPORATION**
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INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2019

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

## NICKEL ASIA CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**MARCH 31, 2019**

**(With Comparative Audited Figures as at December 31, 2018)**

**(Amounts in Thousands)**

| | **March 31, 2019** | December 31, 2018 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱9,590,973** | ₱10,784,369 |
| Trade and other receivables (Notes 5 and 29) | **1,127,354** | 1,056,568 |
| Inventories (Note 6) | **4,201,702** | 3,744,274 |
| Financial assets at (Note 7): | | |
| Fair value through other comprehensive income (FVOCI) | **2,671,172** | 2,608,301 |
| Fair value through profit or loss (FVTPL) | **1,509,632** | 1,420,718 |
| Amortized cost | **201,756** | 201,770 |
| Prepayments and other current assets | **1,207,571** | 1,164,750 |
| **Total Current Assets** | **20,510,160** | 20,980,750 |
| **Noncurrent Assets** | | |
| Property and equipment (Note 8) | **15,032,358** | 15,078,220 |
| Investments in associates (Note 9) | **3,507,435** | 3,540,589 |
| Geothermal exploration and evaluation assets (Note 10) | **1,795,890** | 1,793,444 |
| Financial assets at - net of current portion (Note 7): | | |
| FVTPL | **582,898** | 585,928 |
| Amortized cost | **330,000** | 330,000 |
| Deferred income tax assets | **209,431** | 335,951 |
| Long-term stockpile inventory - net of current portion (Note 11) | **105,601** | 105,601 |
| Other noncurrent assets | **3,554,713** | 3,282,024 |
| **Total Noncurrent Assets** | **25,118,326** | 25,051,757 |
| **TOTAL ASSETS** | **₱45,628,486** | ₱46,032,507 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Notes 12 and 29) | **₱6,912,262** | ₱7,664,984 |
| Income tax payable | **576,042** | 415,789 |
| Short-term debts (Note 13) | **1,495,031** | 1,492,268 |
| Other current liability | **169,079** | 169,079 |
| Current portion of: | | |
| Long-term debts (Note 13) | **112,092** | 118,970 |
| Long-term payable | **5,000** | 5,000 |
| **Total Current Liabilities** | **9,269,506** | 9,866,090 |
| **Noncurrent Liabilities** | | |
| Long-term debts - net of current portion (Note 13) | **1,286,953** | 1,288,562 |
| Deferred income tax liabilities - net | **597,809** | 754,101 |
| Pension liability | **336,170** | 327,905 |
| Provision for mine rehabilitation and decommissioning (Note 14) | **276,118** | 274,227 |
| Deferred income - net of current portion | **53,422** | 54,469 |
| Long-term payable - net of current portion | **16,567** | 16,323 |
| **Total Noncurrent Liabilities** | **2,567,039** | 2,715,587 |
| **Total Liabilities** | **11,836,545** | 12,581,677 |

(Forward)

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| **Equity Attributable to Equity Holders of the Parent** | | |
| Capital stock (Note 15) | **₱6,849,836** | ₱6,849,836 |
| Additional paid-in capital | **8,262,455** | 8,262,455 |
| Other components of equity: | | |
| Share in cumulative translation adjustment (Note 9) | **773,331** | 780,412 |
| Cost of share-based payment plan (Note 16) | **275,621** | 240,003 |
| Net valuation losses on financial assets at FVOCI (Note 7) | **(59,063)** | (92,504) |
| Asset revaluation surplus | **31,619** | 31,714 |
| Retained earnings: | | |
| Unappropriated | **11,942,260** | 11,794,529 |
| Appropriated (Note 15) | **1,818,628** | 1,818,628 |
| Treasury stock (Note 15) | **(22,609)** | (20,366) |
| | **29,872,078** | 29,664,707 |
| **Non-controlling Interests (NCI)** | **3,919,863** | 3,786,123 |
| **Total Equity** | **33,791,941** | 33,450,830 |
| **TOTAL LIABILITIES AND EQUITY** | **₱45,628,486** | ₱46,032,507 |

*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, 2019 AND 2018**

**(Amounts in Thousands, Except Earnings per Share)**

| | 2019 | 2018 |
|---|---|---|
| | (Unaudited) | |
| **REVENUE FROM CONTRACTS WITH CUSTOMERS** (Note 29) | | |
| Sale of ore | **₱1,709,751** | ₱1,954,623 |
| Services and others | **172,659** | 149,456 |
| Sale of power | **93,139** | 59,862 |
| | **1,975,549** | 2,163,941 |
| **COSTS** | | |
| Sale of ore (Note 18) | **981,047** | 1,062,198 |
| Power generation (Note 20) | **105,416** | 62,404 |
| Services (Note 19) | **97,966** | 90,976 |
| | **1,184,429** | 1,215,578 |
| **OPERATING EXPENSES** | | |
| General and administrative (Note 23) | **250,712** | 230,240 |
| Shipping and loading costs (Note 21) | **133,233** | 237,433 |
| Excise taxes and royalties (Note 22) | **129,433** | 141,479 |
| Marketing | **2,150** | – |
| | **515,528** | 609,152 |
| **FINANCE INCOME** (Note 26) | **102,552** | 78,758 |
| **FINANCE EXPENSES** (Note 27) | **(56,836)** | (41,978) |
| **EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES** (Note 9) | **(25,286)** | 194,686 |
| **OTHER INCOME** - Net (Note 28) | **114,255** | 286,896 |
| **INCOME BEFORE INCOME TAX** | **410,277** | 857,573 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 30) | | |
| Current | **162,082** | 225,108 |
| Deferred | **(33,181)** | 24,280 |
| | **128,901** | 249,388 |
| **NET INCOME** | **₱281,376** | ₱608,185 |
| Net income attributable to: | | |
| Equity holders of the parent | **₱147,636** | ₱456,680 |
| NCI | **133,740** | 151,505 |
| | **₱281,376** | ₱608,185 |
| **Basic/Diluted Earnings Per Share** (EPS; Note 17) | **₱0.01** | ₱0.03 |

*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, 2019 AND 2018

**(Amounts in Thousands)**

| | **2019** | 2018 |
|---|---|---|
| | (Unaudited) | |
| **NET INCOME** | **₱281,376** | ₱608,185 |
| **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 | **(7,081)** | 184,866 |
| Net valuation gains (losses) on financial assets at FVOCI | **33,441** | (20,240) |
| Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods | **26,360** | 164,626 |
| *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** | **26,265** | 164,531 |
| **TOTAL COMPREHENSIVE INCOME - NET OF TAX** | **₱307,641** | ₱772,716 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | **₱173,901** | ₱621,211 |
| NCI | **133,740** | 151,505 |
| | **₱307,641** | ₱772,716 |

*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, 2019 AND 2018

### (Amounts in Thousands)

| | Equity Attributable to Equity Holders of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Retained Earnings | | | | | |
| | Capital Stock (Note 15) | Additional Paid-in Capital | Share in Cumulative Translation Adjustment (Note 9) | Cost of Share-based Payment Plan (Note 16) | Net Valuation Gains (Losses) on Financial Assets at FVOCI | Asset Revaluation Surplus | Unappropriated | Appropriated (Note 15) | Treasury Stock (Note 15) | Total | NCI | Total |
| **Balances at December 31, 2018** | **₱6,849,836** | **₱8,262,455** | **₱780,412** | **₱240,003** | **(₱92,504)** | **₱31,714** | **₱11,794,529** | **₱1,818,628** | **(₱20,366)** | **₱29,664,707** | **₱3,786,123** | **₱33,450,830** |
| **Net income** | – | – | – | – | – | – | 147,636 | – | – | 147,636 | 133,740 | 281,376 |
| **Other comprehensive income (loss)** | – | – | (7,081) | – | 33,441 | (95) | – | – | – | 26,265 | – | 26,265 |
| **Total comprehensive income (loss)** | – | – | (7,081) | – | 33,441 | (95) | 147,636 | – | – | 173,901 | 133,740 | 307,641 |
| **Cost of share-based payment plan** (Note 16) | – | – | – | 35,618 | – | – | – | – | – | 35,618 | – | 35,618 |
| **Acquisition of treasury stock** (Note 15) | – | – | – | – | – | – | – | – | (2,243) | (2,243) | – | (2,243) |
| **Asset revaluation surplus transferred to retained earnings** | – | – | – | – | – | – | 95 | – | – | 95 | – | 95 |
| **Balances at March 31, 2019 (Unaudited)** | **₱6,849,836** | **₱8,262,455** | **₱773,331** | **₱275,621** | **(₱59,063)** | **₱31,619** | **₱11,942,260** | **₱1,818,628** | **(₱22,609)** | **₱29,872,078** | **₱3,919,863** | **₱33,791,941** |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

| | Equity Attributable to Equity Holders of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Retained Earnings | | | | | |
| | Capital Stock (Note 15) | Additional Paid-in Capital | Share in Cumulative Translation Adjustment | Cost of Share-based Payment Plan | Net Valuation Gains (Losses) on Financial Assets | Asset Revaluation Surplus | Unappropriated | Appropriated (Note 15) | Treasury Stock | Total | NCI | Total |
| Balances at December 31, 2017 | ₱3,808,665 | ₱8,262,455 | ₱564,152 | ₱137,635 | ₱163,935 | ₱32,097 | ₱15,392,459 | ₱1,095,583 | ₱– | ₱29,456,981 | ₱3,761,207 | ₱33,218,188 |
| Effect of Philippine Financial Reporting Standards (PFRS) 9 adoption | – | – | – | – | (206,740) | – | 339,586 | – | – | 132,846 | 67,540 | 200,386 |
| Balances at January 1, 2018, As Restated | 3,808,665 | 8,262,455 | 564,152 | 137,635 | (42,805) | 32,097 | 15,732,045 | 1,095,583 | – | 29,589,827 | 3,828,747 | 33,418,574 |
| Net income | – | – | – | – | – | – | 456,680 | – | – | 456,680 | 151,505 | 608,185 |
| Other comprehensive income (loss) | – | – | 184,866 | – | (20,240) | (95) | – | – | – | 164,531 | – | 164,531 |
| Total comprehensive income (loss) | – | – | 184,866 | – | (20,240) | (95) | 456,680 | – | – | 621,211 | 151,505 | 772,716 |
| Cost of share-based payment plan | – | – | – | 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 | ₱749,018 | ₱138,583 | (₱63,045) | ₱32,002 | ₱16,188,820 | ₱1,095,583 | ₱– | ₱30,212,081 | ₱3,980,252 | ₱34,192,333 |

*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, 2019 AND 2018

**(Amounts in Thousands)**

| | 2019 | 2018 |
|---|---|---|
| | (Unaudited) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱410,277** | ₱857,573 |
| Adjustments for: | | |
| Depreciation, amortization and depletion (Notes 8 and 25) | **339,265** | 315,249 |
| Interest income (Note 26) | **(102,552)** | (78,758) |
| Loss (gain) on: | | |
| Changes in fair value of financial assets at FVTPL (Note 28) | **(72,316)** | 78,434 |
| Sale of financial assets at FVOCI (Note 28) | **(3,293)** | 5,787 |
| Sale of property and equipment (Note 28) | **(406)** | (295) |
| Interest expense (Notes 13, 19 and 27) | **52,321** | 33,960 |
| Cost of share-based payment plan (Notes 16 and 24) | **35,618** | 948 |
| Equity in net loss (income) of associates (Note 9) | **25,286** | (194,686) |
| Dividend income (Notes 7 and 28) | **(5,124)** | (4,943) |
| Movements in pension liability | **2,603** | 16,391 |
| Accretion of interest on provision for mine rehabilitation and decommissioning (Notes 14 and 27) | **1,891** | 2,269 |
| Unrealized foreign exchange losses (gains) - net | **137** | (5,335) |
| Operating income before working capital changes | **683,707** | 1,026,594 |
| Increase in: | | |
| Trade and other receivables | **(8,376)** | (103,730) |
| Inventories | **(457,428)** | (190,874) |
| Prepayments and other current assets | **(42,821)** | (173,395) |
| Increase (decrease) in trade and other payables | **15,341** | (37,392) |
| Net cash generated from operations | **190,423** | 521,203 |
| Income taxes paid | **(1,829)** | (7,080) |
| Net cash flows from operating activities | **188,594** | 514,123 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Financial assets at (Note 7): | | |
| FVOCI | **(635,528)** | (176,341) |
| FVTPL | **(266,731)** | (199,091) |
| Amortized cost | – | (5,492) |
| Property and equipment (Note 8) | **(293,845)** | (453,970) |
| Proceeds from sale of: | | |
| Financial assets at (Note 7): | | |
| FVOCI | **516,321** | 233,518 |
| FVTPL | **251,737** | 664,453 |
| Property and equipment | **848** | 642 |
| Increase in: | | |
| Other noncurrent assets | **(272,689)** | (117,103) |
| Geothermal exploration and evaluation assets | **(2,446)** | (2,121) |
| Interest received | **95,263** | 65,791 |
| Dividends received | **4,689** | 4,495 |
| Net cash flows from (used in) investing activities | **(602,381)** | 14,781 |

(Forward)

| | **2019** | 2018 |
|---|---|---|
| | (Unaudited) | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments of: | | |
| Cash dividends | **(₱740,000)** | (₱710,000) |
| Long-term debts | **(6,818)** | (26,459) |
| Interest paid | **(29,500)** | (19,749) |
| Acquisitions of treasury stock (Note 15) | **(2,243)** | – |
| Decrease in deferred income | **(1,048)** | (1,048) |
| Net cash flows used in financing activities | **(779,609)** | (757,256) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(1,193,396)** | (228,352) |
| **CASH AND CASH EQUIVALENTS AT JANUARY 1** | **10,784,369** | 9,635,514 |
| **CASH AND CASH EQUIVALENTS AT MARCH 31** (Note 4) | **₱9,590,973** | ₱9,407,162 |

*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.

*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. On 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; formerly Geogen Corporation)*
DMC 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. DMC has not yet started commercial operations and is currently under development stage. On March 5, 2018, the SEC approved the change in DMC's corporate name.

*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.

*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 May 7, 2019, 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. CExCI 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. Newminco 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 involve 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. RTN also provides services which involve the handling, hauling and transportation of materials required in the processing operations of Coral Bay Nickel Corporation (CBNC).

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

*Mindoro Geothermal Power Corporation (MGPC)*
MGPC was registered with the SEC on May 7, 2014, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in the renewable energy business. By virtue of a Deed of Assignment of rights and obligations of EPI under Geothermal Renewable Energy Service Contract No. 2010-02-013 on November 24, 2014, MGPC acquired the exclusive rights to explore, develop and exploit geothermal resources covering a geothermal field in the municipality of Naujan, Oriental Mindoro.

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

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

*Jobin-SQM, Inc. (Jobin)*
Jobin was registered with the SEC on January 6, 2010, is an 86.29% owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin was acquired by EPI on September 11, 2015. On May 23, 2016, Jobin entered into the testing and commissioning phase for the 7.14 megawatt (MW) Sta. Rita Solar Power Project. On November 7, 2016, Jobin was granted by ERC a Provisional Authority to Operate (PAO) to transition from testing and commissioning phase to actual production and operation phase for a period of six (6) months for its 7.14 MW Sta. Rita Solar Power Project pending approval of Jobin's dedicated point to point limited facilities to connect to the transmission system. On March 18, 2017, Jobin commenced testing and commissioning phase for the 25.19 MW Sta. Rita Solar Power Project and was granted by ERC a PAO to transition from testing and commissioning phase to actual production on September 27, 2017. In 2018, the ERC extended the effectivity of the PAO until May 14, 2019. Further, Jobin is expected to commence the construction of Phase III of the Sta. Rita Solar Power Project, or an estimated additional 20 to 30 MW in 2020 which is also expected to become operational on the same year.

*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, 2019 and December 31, 2018 and for the three-month period ended March 31, 2019 and 2018, were authorized for issuance by the Parent Company's BOD on May 7, 2019.

## 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, 2019 and for the three-month period ended March 31, 2019 and 2018 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, 2018.

Basis of Consolidation
The interim consolidated financial statements include the balances of its subsidiaries and equity share in earnings of its associates:

| | Principal Place of Business | Principal Activities | Effective Ownership March 31, 2019 | Effective Ownership March 31, 2018 |
|---|---|---|---|---|
| *Subsidiaries* | | | | |
| HMC | Philippines | Mining and Services | **100.00%** | 100.00% |
| CMC | Philippines | Mining | **100.00%** | 100.00% |
| LCSLC [a] | Philippines | Services | **100.00%** | 100.00% |
| DMC | Philippines | Mining | **100.00%** | 100.00% |
| SNMRC | 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%** | 86.29% |
| MGPC [d] | Philippines | Renewable Energy Developer | **86.29%** | 86.29% |
| MEI [d] | Philippines | Power Generation, Trading and Services | **86.29%** | 86.29% |
| BHI [d] | Philippines | Services | **86.29%** | 86.29% |
| Jobin [d] | Philippines | Power Generation | **86.29%** | 86.29% |
| BGI [d] | Philippines | Power Generation | **51.77%** | 51.77% |
| Mantex [d] | Philippines | Management and Advisory Services | **43.15%** | 43.15% |

| | Principal Place of Business | Principal Activities | Effective Ownership | |
|---|---|---|---|---|
| | | | **March 31, 2019** | March 31, 2018 |
| *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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights.

The Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

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

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

Statement of Compliance
The interim consolidated financial statements of the Group have been prepared in compliance with PFRS.

Changes in Accounting Policies
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018, except for the adoption of the following amendments and improvements to existing standards and interpretations, which were effective beginning January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation based on International Financial Reporting Interpretations Committee 23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The Group will quantify the effect of changes or amendments in standards in conjunction with the other phases when issued, to present a comprehensive picture. As at

March 31, 2019, the Group continues to assess the impact of adopting PFRS 16 on its consolidated financial statements. Additional disclosures required by the amendments will be included in the consolidated financial statements when these amendments are adopted.

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

*Effective beginning on or after January 1, 2020:*
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

*Effective beginning on or after January 1, 2021:*
- PFRS 17, *Insurance Contracts*

*Deferred effectivity:*
- Amendments to PFRS 10, *Consolidated Financial Statements,* 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 2019. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

Any differences in the comparative amounts from the amounts in the interim consolidated financial statements as at March 31, 2018 and for the three-months ended March 31, 2018 are solely the effect of reclassifications and re-measurements, resulting from PFRS 9, *Financial Instruments* adoption, for comparative purposes.

## 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, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Cash on hand and with banks | **₱1,087,991** | ₱835,643 |
| Cash under managed funds | **55,633** | 106,954 |
| Short-term cash investments | **8,447,349** | 9,841,772 |
| | **₱9,590,973** | ₱10,784,369 |

## 5. Trade and Other Receivables

Trade and other receivables amounting to ₱57.4 million as at March 31, 2019 and December 31, 2018 were impaired and fully provided for with allowance for expected credit losses (ECL).

The aging analysis of the Group's trade and other receivables as at March 31, 2019 and December 31, 2018 are summarized below:

| **March 31, 2019 (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) | **₱667,784** | **₱34,444** | **₱42,693** | **₱744,921** |
| **Current portion of loan receivable** | **145,735** | – | – | **145,735** |
| **Interest receivable** | **60,605** | – | – | **60,605** |
| **Advances to officers and employees** | **35,203** | **7,073** | **123** | **42,399** |
| **Receivable from CBNC** (see Note 29) | **4,429** | **28,223** | – | **32,652** |
| **Amounts owed by related parties** (see Note 29) | **5,551** | – | **4,228** | **9,779** |
| **Others** | **94,837** | **43,470** | **10,346** | **148,653** |
| **Total** | **₱1,014,144** | **₱113,210** | **₱57,390** | **₱1,184,744** |

| December 31, 2018 (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) | ₱655,032 | ₱61,781 | ₱42,703 | ₱759,516 |
| Current portion of loan receivable | 146,158 | – | – | 146,158 |
| Interest receivable | 53,315 | – | – | 53,315 |
| Advances to officers and employees | 29,596 | 8,290 | 123 | 38,009 |
| Receivable from CBNC (see Note 29) | 13,638 | 28,197 | – | 41,835 |
| Amounts owed by related parties (see Note 29) | 5,027 | – | 4,228 | 9,255 |
| Others | 46,189 | 9,345 | 10,344 | 65,878 |
| Total | ₱948,955 | ₱107,613 | ₱57,398 | ₱1,113,966 |

## 6. Inventories

As at March 31, 2019 and December 31, 2018, inventories amounting to ₱102.9 million 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, 2019 and 2018.

The cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱3,829.7 million and ₱3,361.6 million as at March 31, 2019 and December 31, 2018, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱474.9 million and ₱485.6 million as at March 31, 2019 and December 31, 2018, respectively.

## 7. Financial Assets

The movements in financial assets follow:

| | **March 31, 2019 (Unaudited)** | | | December 31, 2018 (Audited) | | | |
|---|---|---|---|---|---|---|---|
| | **Financial Assets at** | | | Financial Assets at | | | Available-for-sale Financial Assets |
| | **FVOCI** | **FVTPL** | **Amortized Cost** | FVOCI | FVTPL | Amortized Cost | |
| Balances at January 1 | **₱2,608,301** | **₱2,006,646** | **₱531,770** | ₱– | ₱– | ₱– | ₱6,658,203 |
| Effect of PFRS 9 adoption | – | – | – | 2,858,666 | 3,330,923 | 693,275 | (6,658,203) |
| Balances at January 1, as restated | **2,608,301** | **2,006,646** | **531,770** | 2,858,666 | 3,330,923 | 693,275 | – |
| Additions | **594,028** | **266,109** | – | 1,539,437 | 789,181 | 48,439 | – |
| Disposals | **(567,713)** | **(251,737)** | – | (1,764,230) | (2,007,499) | – | – |
| Reclassification | – | – | **(14)** | – | – | – | – |
| Redemption | – | – | – | – | – | (196,048) | – |
| Effect of changes in foreign exchange rate | **(1,083)** | **(804)** | – | 26,669 | 23,856 | – | – |
| Net valuation gains (losses) on financial assets | **37,639** | **72,316** | – | (52,241) | (129,815) | (13,896) | – |
| Balances at end of period | **2,671,172** | **2,092,530** | **531,756** | 2,608,301 | 2,006,646 | 531,770 | – |
| Less noncurrent portion | – | **582,898** | **330,000** | – | 585,928 | 330,000 | – |
| Current portion | **₱2,671,172** | **₱1,509,632** | **₱201,756** | ₱2,608,301 | ₱1,420,718 | ₱201,770 | ₱– |

The Group's 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. Quoted and unquoted instruments are carried either at fair market value or at amortized cost as at the end of the financial reporting period.

Dividend income from equity securities amounted to ₱5.1 million and ₱4.9 million for the three months ended March 31, 2019 and 2018, respectively (see Note 28), while interest income from debt securities amounted to ₱23.3 million and ₱38.7 million for the three months ended March 31, 2019 and 2018, respectively (see Note 26).

## 8. Property and Equipment

During the three-month period ended March 31, 2019 and 2018, the Group acquired assets with a cost of ₱293.8 million and ₱454.0 million, respectively, including construction in-progress.

Depreciation, amortization and depletion expense for the three-month period ended March 31, 2019 and 2018 amounted to ₱339.3 million and ₱315.2 million, respectively (see Note 25).

## 9. Investments in Associates

| | **March 31, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| THNC | **₱2,166,383** | ₱2,247,912 |
| CBNC | **1,341,052** | 1,292,677 |
| | **₱3,507,435** | ₱3,540,589 |

The movements in investments in associates follow:

| | **March 31, 2019 (Unaudited)** | | | December 31, 2018 (Audited) | | |
|---|---|---|---|---|---|---|
| | **THNC** | **CBNC** | **Total** | THNC | CBNC | Total |
| Cost 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 | **(304,255)** | **227,481** | **(76,774)** | (371,303) | (53,639) | (424,942) |
| Equity in net income (loss) | **(78,274)** | **52,988** | **(25,286)** | 67,048 | 281,120 | 348,168 |
| | **(382,529)** | **280,469** | **(102,060)** | (304,255) | 227,481 | (76,774) |
| Share in cumulative translation adjustment: | | | | | | |
| Balances at January 1 | **577,467** | **340,786** | **918,253** | 479,682 | 198,282 | 677,964 |
| Movements | **(3,255)** | **(4,613)** | **(7,868)** | 97,785 | 142,504 | 240,289 |
| | **574,212** | **336,173** | **910,385** | 577,467 | 340,786 | 918,253 |
| Balances at end of period | **₱2,166,383** | **₱1,341,052** | **₱3,507,435** | ₱2,247,912 | ₱1,292,677 | ₱3,540,589 |

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱137.1 million and ₱137.8 million as at March 31, 2019 and December 31, 2018, 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 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 ₱19,282.8 million and ₱31,677.6 million, respectively, as at March 31, 2019, and ₱20,098.1 million and ₱31,193.8 million, respectively, as at December 31, 2018. The results of THNC's and CBNC's operations were net loss of ₱782.7 million and net income of ₱529.9 million, respectively, for the three months ended March 31, 2019, and net income of ₱810.5 million and ₱1,136.3 million, respectively, for the three months ended March 31, 2018. The Parent Company's share in cumulative translation adjustment amounted to ₱773.3 million and ₱780.4 million as at March 31, 2019 and December 31, 2018, respectively, and its equity in associates amounted to ₱25.3 million loss and ₱194.7 million income for the three months ended March 31, 2019 and 2018, 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, 2019 and December 31, 2018, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

## 11. Long-term Stockpile Inventory

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

A portion amounting to ₱55.3 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, 2019 and December 31, 2018, and the cost of long-term stockpile inventory delivered to CBNC for the three months ended March 31, 2019 and 2018 of nil and ₱32.7 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 ₱105.6 million as at March 31, 2019 and December 31, 2018.

## 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 in one (1) year. Government payables include withholding taxes which are normally settled within ten (10) to fifteen (15) days after the end of each financial reporting month or thirty (30) days after the end of each financial reporting quarter, and fringe benefit tax which are normally settled within thirty (30) 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 debts with Security Bank Corporation (SBC)*
On March 23, 2018, SBC approved the renewal of EPI's original loan facility to the extent of ₱1,500.0 million. On August 3, 2018 and September 21, 2018, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively. Proceeds of the loan drawdowns were used by EPI to settle promissory notes under the original SBC loan facility, which matured in 2018.

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

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| Loans payable | **₱1,500,000** | ₱1,500,000 |
| Less unamortized debt issue cost | **(4,969)** | (7,732) |
| Balances at end of period | **₱1,495,031** | ₱1,492,268 |

Interest expense incurred in connection with the loans amounted to ₱28.6 million and nil for the three months ended March 31, 2019 and 2018, respectively (see Note 27).

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

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| TMC | **₱1,148,438** | ₱1,150,188 |
| Jobin | **250,607** | 257,344 |
| | **1,399,045** | 1,407,532 |
| Less noncurrent portion: | | |
| TMC | **1,056,563** | 1,058,172 |
| Jobin | **230,390** | 230,390 |
| | **1,286,953** | 1,288,562 |
| Current portion | **₱112,092** | ₱118,970 |

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 one hundred eighty (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.

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, 2019 and December 31, 2018, TMC is in compliance with the restrictions.

Interest expense for the three months ended March 31, 2019 and 2018 which amounted to ₱13.2 million and ₱10.7 million, respectively, were included in equipment operating cost under "Cost of services" (see Notes 19 and 29).

As at March 31, 2019 and December 31, 2018, the carrying amount of long-term debt with THNC amounted to ₱1,148.4 million and ₱1,150.2 million, respectively (see Note 29).

Jobin Loan

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

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

The loan agreement contains positive, negative and financial covenants which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, and the maintenance of certain financial and project ratios. As at March 31, 2019 and December 31, 2018, 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, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Loans payable | **₱252,273** | ₱259,091 |
| Less unamortized debt issue cost | **(1,666)** | (1,747) |
| Balances at end of period | **₱250,607** | ₱257,344 |

Interest expense for the three months ended March 31, 2019 and 2018 amounted to ₱4.6 million and ₱3.5 million, respectively (see Note 27).

EPI Loan
On July 15, 2015, 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. In 2018, EPI paid in full the remaining balance of the loan.

Interest expense for the three months ended March 31, 2019 and 2018 amounted to nil and ₱17.9 million, respectively (see Note 27).

## 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, 2019 and 2018, accretion of interest on provision for mine rehabilitation and decommissioning amounted to ₱1.9 million and ₱2.3 million respectively (see Note 27).

## 15. Equity

Capital Stock
The capital structure of the Parent Company follows:

| | **March 31, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Common stock - ₱0.50 par value | | |
| Authorized - 19,265,000,000 shares | | |
| Issued - 13,685,272,117 shares | | |
| Outstanding - 13,674,975,117 shares as at March 31, 2019 and 13,675,915,117 as at December 31, 2018 | **₱6,842,636** | ₱6,842,636 |
| Preferred stock - ₱0.01 par value | | |
| Authorized and Issued - 720,000,000 shares | **7,200** | 7,200 |
| Total | **₱6,849,836** | ₱6,849,836 |

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

Issued Capital Stock
Beginning November 22, 2010, the common shares of the Parent Company were listed and traded in PSE with an initial public offering of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱1.48 per share after the stock dividends.

As at March 31, 2019 and December 31, 2018, a total of 32% or 4,336,176,858 common shares and 4,325,763,858 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of ninety-seven (97) and eighty-four (84) shareholders, respectively, while the balance of 68% or a total of 9,338,798,259 common shares and 9,350,151,259 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

Dividends
Dividends declared by the Parent Company follows:

| Year | Type of Dividend | Date of Declaration | Date of Record | Amount Declared | Dividend per Share | Date of Payment |
|---|---|---|---|---|---|---|
| 2019 | *Cash Dividends* | March 14, 2019 | March 28, 2019 | ₱957,248 | ₱0.07 | April 12, 2019 |
| 2018 | *Cash Dividends* | March 14, 2018 | March 28, 2018 | ₱912,351 | ₱0.12 | April 10, 2018 |

Appropriation of Retained Earnings
*Parent Company*
On November 27, 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the Parent Company.

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. In 2018, the power plant started the commercial operations of the two (2) generator sets, hence the reversal of the appropriation which was approved by the Parent Company's BOD on August 7, 2018.

*HMC*
On December 6, 2018, the BOD of HMC approved the reversal of the ₱95.6 million appropriation following the completion of the purchase of mining equipments. On the same date, an appropriation was approved amounting to ₱318.6 million for HMC's capital expenditures for the year 2019.

On December 7, 2017, the BOD of HMC approved the appropriation of retained earnings amounting to ₱95.6 million for HMC's capital expenditures for the year 2018.

Treasury Stock
On November 27, 2018, the BOD of the Parent Company approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Parent Company's common shares up to an aggregate value of ₱1,500.0 million. As at March 31, 2019 and December 31, 2018, the Parent Company purchased from the market a total of 10,297,000 of its own common shares at an average price of ₱2.1957 per share or a total of ₱22.6 million and a total of 9,357,000 of its own common shares at an average price of ₱2.1766 per share or a total of ₱20.4 million, respectively.

## 16. Executive Stock Option Plan (ESOP)

*2018 ESOP*
On April 5, 2018, the New Plan was approved by the Parent Company's BOD and was ratified by the stockholders on May 28, 2018. As at March 31, 2019, the New Plan is yet to be approved by the SEC. The basic terms and conditions of the New Plan are as follows:
1. The New Plan covers up to 155.0 million shares allocated to the Parent Company's eligible participants.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱4.38, which is equivalent to ₱2.43 after the effect of stock dividends.
4. The New Plan was granted on June 15, 2018.
5. The term of the New 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 New Plan.
6. The participant can exercise the vested options by giving notice within the term of the New Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair value of the stock option is ₱2.19, which was estimated as at grant date, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

*2014 ESOP*

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

1. The Plan covers up to 32.0 million shares allocated to the Parent Company's eligible participants.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price are as follows:

| Exercise prices, before stock dividends | Equivalent exercise prices, after the effect of stock dividends |
|---:|---:|
| ₱25.52 | ₱4.73 |
| 6.11 | 3.39 |
| 6.04 | 3.36 |
| 5.94 | 3.30 |
| 5.67 | 3.15 |
| 5.62 | 3.12 |
| 5.03 | 2.79 |

4. The Plan was partially granted on June 6, 2014, January 13, 2015 and July 15, 2018.
5. The term of the Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% per year after the first year of the Plan or July 18, 2015.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair values of the stock option are ₱7.53, ₱8.42 and an average of ₱0.23, which were estimated as at grant date, June 6, 2014, January 13, 2015 and July 15, 2018, 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:

| | 2018 ESOP | | 2014 ESOP | |
|---|---:|---:|---:|---:|
| Grant date | June 15, 2018 | July 15, 2018 | January 13, 2015 | June 6, 2014 |
| Spot price per share | ₱5.01 | ₱4.34 | ₱15.63 | ₱28.55 |
| Exercise price | ₱4.38 | ₱5.72* | ₱8.51 | ₱25.52 |
| Expected volatility | 45.34% | 37.14% | 33.52% | 33.28% |
| Option life | 5.00 years | 0.89 years | 4.40 years | 5.00 years |
| Dividend yield | 2.16% | 2.49% | 0.58% | 3.88% |
| Risk-free rate | 5.93% | 4.52% | 3.23% | 3.30% |

* Based on average exercise prices

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

There have been no modifications or cancellations for the three months ended March 31, 2019 and 2018.

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

| | Number of Options | |
|---|---|---|
| | **March 31, 2019 (Unaudited)** | December 31, 2018 (Audited) |
| *2018 ESOP* | | |
| Balances at January 1 | **278,947,780** | – |
| Granted | – | 154,970,988 |
| Stock dividends | – | 123,976,792 |
| Balances at end of period | **278,947,780** | 278,947,780 |
| *2014 ESOP* | | |
| Balances at January 1 | **103,740,335** | 55,027,152 |
| Granted | – | 2,606,367 |
| Stock dividends | – | 46,106,816 |
| Balances at end of period | **103,740,335** | 103,740,335 |

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

| | **March 31, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Balances at January 1 | **₱240,003** | ₱137,635 |
| Stock option expense (see Note 24) | **35,618** | 102,368 |
| Balances at end of period | **₱275,621** | ₱240,003 |

## 17. Earnings Per Share

The following reflects the income and share data used in the basic and diluted EPS computations:

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| a. Net income attributable to equity holders of the Parent | **₱147,636** | ₱456,680 |
| b. Weighted average number of common shares for basic EPS (in thousands) | **13,674,975** | 13,685,272 |
| c. Weighted average number of common shares adjusted for the effect of dilution (in thousands) | **13,674,975** | 13,685,272 |
| Basic/Diluted EPS | **₱0.01** | ₱0.03 |

## 18. Cost of Sale of Ore

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Production overhead | **₱660,402** | ₱604,924 |
| Outside services | **338,380** | 208,078 |
| Personnel costs (see Note 24) | **252,923** | 231,651 |
| Depreciation, amortization and depletion (see Note 25) | **220,991** | 209,111 |
| Long-term stockpile inventory sold (see Note 11) | – | 32,712 |
| | **1,472,696** | 1,286,476 |
| Net changes in beneficiated nickel ore and limestone | **(491,649)** | (224,278) |
| | **₱981,047** | ₱1,062,198 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Personnel costs (see Note 24) | **₱28,767** | ₱24,945 |
| Depreciation (see Note 25) | **26,225** | 24,882 |
| Equipment operating cost | **20,630** | 17,236 |
| Overhead | **20,378** | 21,202 |
| Outside services | **1,966** | 2,711 |
| | **₱97,966** | ₱90,976 |

Equipment operating cost includes interest expense amounting to ₱13.2 million and ₱10.7 million for the three months ended March 31, 2019 and 2018, respectively (see Note 13).

## 20. Cost of Power Generation

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Depreciation and amortization (see Note 25) | **₱49,982** | ₱35,982 |
| Overhead | **25,700** | 8,605 |
| Purchased power | **16,214** | 8,360 |
| Distribution wheeling service charges | **5,770** | 3,537 |
| Personnel costs (see Note 24) | **5,142** | 3,390 |
| Outside services | **2,459** | 2,397 |
| Materials and supplies | **149** | 133 |
| | **₱105,416** | ₱62,404 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Contract fees | **₱64,052** | ₱116,162 |
| Depreciation and amortization (see Note 25) | **25,311** | 27,640 |
| Fuel, oil and lubricants | **17,879** | 30,284 |
| Personnel costs (see Note 24) | **12,170** | 16,130 |
| Materials and supplies | **10,540** | 13,612 |
| Other services and fees | **3,281** | 33,605 |
| | **₱133,233** | ₱237,433 |

## 22. Excise Taxes and Royalties

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Excise taxes | **₱68,390** | ₱78,185 |
| Royalties | **61,043** | 63,294 |
| | **₱129,433** | ₱141,479 |

## 23. General and Administrative Expenses

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Personnel costs (see Note 24) | **₱105,921** | ₱80,162 |
| Taxes and licenses | **41,472** | 30,022 |
| Depreciation and amortization (see Note 25) | **15,718** | 16,749 |
| Outside services | **12,906** | 12,000 |
| Professional fees | **10,929** | 13,593 |
| Rentals | **9,553** | 7,797 |
| Supplies | **7,414** | 8,439 |
| Transportation and travel | **5,987** | 6,929 |
| Publicity and promotions | **5,526** | 3,852 |
| Dues and subscriptions | **4,488** | 4,522 |
| Repairs and maintenance | **3,393** | 4,981 |
| Entertainment, amusement and recreation | **3,053** | 4,617 |
| Donations | **2,890** | 2,810 |
| Communications, light and water | **2,118** | 3,430 |
| Others | **19,344** | 30,337 |
| | **₱250,712** | ₱230,240 |

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

## 24. Personnel Costs

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Salaries, wages and employee benefits | **₱369,305** | ₱355,330 |
| Cost of share-based payment plan (see Note 16) | **35,618** | 948 |
| | **₱404,923** | ₱356,278 |

The amounts of personnel costs are distributed as follows:

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Cost of : | | |
| Sale of ore (see Note 18) | **₱252,923** | ₱231,651 |
| Services (see Note 19) | **28,767** | 24,945 |
| Power generation (see Note 20) | **5,142** | 3,390 |
| General and administrative (see Note 23) | **105,921** | 80,162 |
| Shipping and loading costs (see Note 21) | **12,170** | 16,130 |
| | **₱404,923** | ₱356,278 |

## 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 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Cost of: | | |
| Sale of ore (see Note 18) | **₱220,991** | ₱209,111 |
| Power generation (see Note 20) | **49,982** | 35,982 |
| Services (see Note 19) | **26,225** | 24,882 |
| Shipping and loading costs (see Note 21) | **25,311** | 27,640 |
| General and administrative (see Note 23) | **15,718** | 16,749 |
| Others | **1,038** | 885 |
| | **₱339,265** | ₱315,249 |

## 26. Finance Income

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Interest income from: | | |
| Cash and cash equivalents and others | **₱73,192** | ₱32,898 |
| Financial assets at (see Note 7): | | |
| FVOCI | **17,672** | 24,983 |
| Amortized cost | **4,740** | 12,533 |
| FVTPL | **921** | 1,197 |
| Loans | **5,365** | 6,362 |
| Long-term negotiable instruments | **662** | 785 |
| | **₱102,552** | ₱78,758 |

## 27. Finance Expenses

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Interest expense on: | | |
| Short-term debts (see Note 13) | **₱28,605** | ₱– |
| Pension | **5,662** | 1,490 |
| Long-term debts (see Note 13) | **4,563** | 21,483 |
| Long-term payable | **244** | 288 |
| Guarantee service fee (see Note 29) | **15,871** | 16,448 |
| Accretion of interest on provision for mine rehabilitation and decommissioning (see Note 14) | **1,891** | 2,269 |
| | **₱56,836** | ₱41,978 |

## 28. Other Income (Charges) - Net

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Gain on: | | |
| Changes in fair value of financial assets at FVTPL (see Note 7) | **₱72,316** | (₱78,434) |
| Sale of financial assets at FVOCI | **3,293** | (5,787) |
| Sale of property and equipment | **406** | 295 |
| Rentals and accommodations | **25,437** | 2,978 |
| Foreign exchange gains (losses) - net | **(6,738)** | 344,007 |
| Dividend income (see Note 7) | **5,124** | 4,943 |
| Management fee | **(2,842)** | (6,894) |
| Issuance of fuel, oil and lubricants | **74** | (71) |
| Other services | **–** | 7,783 |
| Others | **17,185** | 18,076 |
| | **₱114,255** | ₱286,896 |

## 29. Related Party Transactions

Set out below are the Group's transactions with related parties for the three-month period ended March 31, 2019 and 2018, including the corresponding assets and liabilities arising from the said transactions as at March 31, 2019 (Unaudited) and December 31, 2018 (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, 2019** | March 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | Terms | Conditions |
| *Stockholders* | | | | | | | | | | | | | | |
| **Pacific Metals Co., Ltd.** | | | | | | | | | | | | | | |
| Sale of ore | **₱270,095** | ₱173,271 | **₱116,994** | ₱95,426 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | 90% upon receipt of documents and 10% after the final dry weight and applicable assay have been determined; noninterest-bearing | Unsecured; no guarantee |
| Despatch income | **734** | 1,160 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |
| Other service fee | **–** | – | **–** | – | **–** | 1,047 | **–** | – | **–** | – | **–** | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| Dividends | **–** | – | **–** | – | **–** | 663,500 | **–** | – | **–** | – | **–** | – | Payable in January of the following year | Unsecured; no guarantee |
| **Sumitomo Metal Mining Philippine Holdings Corporation** | | | | | | | | | | | | | | |
| Short-term advances | **1,250** | 1,250 | **–** | – | **–** | – | **1,250** | – | **–** | – | **–** | – | 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, 2019** | March 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | Terms | Conditions |
| **Sumitomo Metal Mining Co., Ltd.** | | | | | | | | | | | | | | |
| Guarantee service fee (see Note 27) | **₱15,871** | ₱16,448 | **₱–** | ₱– | **₱4,040** | ₱20,236 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | Every twenty first (21st) of February, March, August and September | Unsecured |
| Interest expense on long-term debt (see Note 27) | **–** | 137 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Payable semi-annually on February 28 and August 31 | Secured; with guarantee |
| Short-term advances | **–** | – | **–** | – | **–** | – | **–** | – | **52,000** | 52,000 | **–** | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| **Nickel Asia Holdings Inc.** | | | | | | | | | | | | | | |
| Short-term advances | **–** | 1 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| *With Common Stockholders* | | | | | | | | | | | | | | |
| **Manta** | | | | | | | | | | | | | | |
| Rentals, dues and utilities | **8,554** | 7,427 | **–** | – | **147** | 632 | **–** | – | **–** | – | **–** | – | Payable upon billing; noninterest-bearing | Unsecured; no guarantee |
| Rental deposits | **17,789** | 17,789 | **–** | – | **–** | – | **–** | – | **–** | **–** | **–** | **–** | Collectible at the end of the lease; noninterest-bearing | Unsecured; no guarantee |
| Sale of power | **5,889** | 6,497 | **2,245** | 2,355 | **–** | – | **–** | – | **–** | **–** | **–** | **–** | 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, 2019** | March 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | Terms | Conditions |
| *Associates* | | | | | | | | | | | | | | |
| **CBNC** | | | | | | | | | | | | | | |
| Sale of ore | **₱398,980** | ₱456,573 | **₱131,962** | ₱155,768 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | Seven (7) to thirty (30) days; noninterest-bearing | Unsecured; no guarantee |
| Materials handling | **71,118** | 44,472 | **42,795** | 42,860 | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |
| Infralease and throughput | **1,295** | 9,069 | **9,785** | 21,840 | **–** | – | **–** | – | **–** | – | **–** | – | Collectible at the end of February and August; noninterest-bearing | Unsecured; no guarantee |
| Other income | **14,790** | 13,519 | **22,867** | 19,995 | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |
| **THNC** | | | | | | | | | | | | | | |
| Sale of ore | **532,336** | 511,080 | **96,502** | 156,275 | **–** | – | **–** | – | **–** | – | **–** | – | Thirty (30) days term, noninterest-bearing | Unsecured; no guarantee |
| Rendering of service | **38,063** | 35,568 | **74,193** | 37,153 | **–** | – | **–** | – | **–** | – | **–** | – | Semi-annual term; noninterest-bearing | Unsecured; no guarantee |
| Materials handling | **53,460** | 61,303 | **34,332** | 20,655 | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |
| Rental income | **1,735** | 1,676 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible on demand; noninterest-bearing | Unsecured; no guarantee |

(Forward)

| | Amount | | Trade and Other Receivables (see Note 5) | | Trade and Other Payables | | Amounts Owed by Related Parties (see Note 5) | | Amounts Owed to Related Parties | | Long-term Debts (see Note 13) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **March 31, 2019** | March 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | Terms | Conditions |
| **THNC** | | | | | | | | | | | | | | |
| Rental deposit payable | **₱–** | ₱– | **₱–** | ₱– | **₱3,352** | ₱3,352 | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | Collectible at the end of the lease term; noninterest-bearing | Unsecured; no guarantee |
| Loan facility | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **1,148,438** | 1,150,188 | 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 |
| Interest expense on long-term debt (see Notes 13 and 27) | **13,247** | 10,699 | **–** | – | **21,088** | 9,814 | **–** | – | **–** | – | **–** | – | Payable semi-annually on April 10 and October 10 | Unsecured; no guarantee |
| Rendering of other service | **–** | 4,170 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | Collectible upon billing; noninterest-bearing | Unsecured; no guarantee |
| Short-term advances | **–** | – | **–** | – | **–** | – | **3,616** | 4,342 | **–** | – | **–** | – | Collectible upon billing; noninterest-bearing; with allowance for ECL of ₱4.2 million in 2018 | Unsecured; no guarantee |
| *Affiliates* | | | | | | | | | | | | | | |
| **OGI** | | | | | | | | | | | | | | |
| Short-term advances | **–** | – | **–** | – | **–** | – | **–** | – | **1,179,544** | 1,179,544 | **–** | **–** | 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, 2019** | March 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | **March 31, 2019** | December 31, 2018 | Terms | Conditions |
| **Orka Geothermal Holdings, Inc.** | | | | | | | | | | | | | | |
| Short-term advances | **₱–** | ₱– | **₱–** | ₱– | **₱–** | ₱– | **₱666** | ₱666 | **₱–** | ₱– | **₱–** | ₱– | 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 |
| | | | **₱531,675** | ₱552,327 | **₱28,627** | ₱698,581 | **₱5,551** | ₱5,027 | **₱5,425,849** | ₱5,425,849 | **₱1,148,438** | ₱1,150,188 | | |

<u>Terms and Conditions of Transactions with Related Parties</u>
All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at March 31, 2019 and December 31, 2018 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.

<u>Compensation of Key Management Personnel</u>
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, 2019 and 2018 amounted to about ₱56.8 million and ₱49.9 million, respectively.

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

Except for the guarantee on the 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 | |
|---|---|---|
| | **2019** | 2018 |
| | (Unaudited) | |
| Current | **₱162,082** | ₱225,108 |
| Deferred | **(33,181)** | 24,280 |
| | **₱128,901** | ₱249,388 |

## 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 and Short-term Cash Investments*
The carrying amounts of cash and cash equivalents and short-term cash investments approximate their fair value due to the short-term nature and maturity of these financial instruments.

*Trade and Other Receivables, Trade and Other Payables and Short-term Debts*
Similarly, the carrying amounts of trade and other receivables, trade and other payables and short-term debts 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.

*Financial Assets at FVOCI and FVTPL*
The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. Upon adoption of PFRS 9, the Group used the net asset approach with consideration of lack of marketability discount and lack of control discount in determining the fair value of unquoted equity securities since the fair value measurement is unobservable (Level 3).

*Financial Assets at Amortized Cost*
The carrying amount of financial assets at amortized cost, which is measured using the effective interest rate (EIR), is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

*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, 2019 and December 31, 2018, the Group's financial assets in debt and equity securities are classified under Level 1 and 3.

As at March 31, 2019 and December 31, 2018, 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, 2019 (Unaudited)**

| | Mining | | | | | Power | | Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **HMC** | **CMC** | **TMC** | **RTN** | **DMC** | **EPI** | **NAC** | **RTN/TMC** | **HMC** | **Others** | **Eliminations** | **Total** |
| **External customers** | ₱31,999 | ₱61,419 | ₱568,183 | ₱1,048,150 | ₱– | ₱88,181 | ₱4,958 | ₱172,659 | ₱– | ₱– | ₱– | ₱1,975,549 |
| **Inter-segment revenues** | – | – | – | – | – | – | – | – | – | 72,086 | (72,086) | – |
| **Total revenues** | 31,999 | 61,419 | 568,183 | 1,048,150 | – | 88,181 | 4,958 | 172,659 | – | 72,086 | (72,086) | 1,975,549 |
| **Cost of sale of ore** | 20,960 | 44,251 | 405,762 | 510,074 | – | – | – | – | – | – | – | 981,047 |
| **Cost of services** | – | – | – | – | – | – | – | 97,966 | – | – | – | 97,966 |
| **Cost of power generation** | – | – | – | – | – | 79,220 | 26,196 | – | – | – | – | 105,416 |
| **Shipping and loading costs** | 28,217 | 13,306 | 25,826 | 65,884 | – | – | – | – | – | – | – | 133,233 |
| **Excise taxes and royalties** | 2,880 | 17,327 | 56,818 | 52,408 | – | – | – | – | – | – | – | 129,433 |
| **Marketing** | – | 2,150 | – | – | – | – | – | – | – | – | – | 2,150 |
| **Segment operating earnings (loss)** | (₱20,058) | (₱15,615) | ₱79,777 | ₱419,784 | ₱– | ₱8,961 | (₱21,238) | ₱74,693 | ₱– | ₱72,086 | (₱72,086) | ₱526,304 |
| **General and administrative** | ₱32,186 | ₱9,627 | ₱17,983 | ₱30,912 | ₱32,699 | ₱18,080 | ₱– | ₱– | ₱– | ₱109,225 | ₱– | ₱250,712 |
| **Finance income** | ₱655 | ₱8,316 | ₱16,571 | ₱11,481 | ₱10 | ₱28 | ₱686 | ₱– | ₱– | ₱64,805 | ₱– | ₱102,552 |
| **Finance expenses** | ₱– | ₱836 | ₱3,173 | ₱2,423 | ₱– | ₱33,168 | ₱– | ₱– | ₱– | ₱17,236 | ₱– | ₱56,836 |
| **Provision for (benefit from) income tax** | (₱16,264) | (₱7,837) | ₱18,481 | ₱123,085 | ₱– | (₱154) | ₱– | ₱– | ₱– | ₱11,590 | ₱– | ₱128,901 |
| **Net income (loss) attributable to equity holders of the parent** | (₱35,316) | (₱9,809) | ₱78,140 | ₱201,865 | (₱32,795) | (₱34,823) | ₱1,871 | ₱– | ₱– | (₱21,497) | ₱– | ₱147,636 |
| **Segment assets** | ₱1,611,361 | ₱2,622,695 | ₱9,172,252 | ₱4,202,176 | ₱1,242,316 | ₱11,179,631 | ₱941,937 | ₱– | ₱51,826 | ₱14,394,861 | ₱– | ₱45,419,055 |
| **Deferred income tax assets** | 53,403 | 38,958 | 32,726 | 42,719 | 41,625 | – | – | – | – | – | – | 209,431 |
| **Total assets** | ₱1,664,764 | ₱2,661,653 | ₱9,204,978 | ₱4,244,895 | ₱1,283,941 | ₱11,179,631 | ₱941,937 | ₱– | ₱51,826 | ₱14,394,861 | ₱– | ₱45,628,486 |
| **Segment liabilities** | ₱215,767 | ₱437,242 | ₱2,003,937 | ₱883,859 | ₱84,662 | ₱7,309,653 | ₱4,768 | ₱– | ₱– | ₱298,848 | ₱– | ₱11,238,736 |
| **Deferred income tax liabilities - net** | – | – | – | 118,747 | 164,105 | 113,498 | – | – | 16,847 | 184,612 | – | 597,809 |
| **Total liabilities** | ₱215,767 | ₱437,242 | ₱2,003,937 | ₱1,002,606 | ₱248,767 | ₱7,423,151 | ₱4,768 | ₱– | ₱16,847 | ₱483,460 | ₱– | ₱11,836,545 |
| **Capital expenditures** | ₱24,719 | ₱106,000 | ₱107,737 | ₱34,394 | ₱7,963 | ₱7,759 | ₱1,894 | ₱– | ₱– | ₱3,379 | ₱– | ₱293,845 |
| **Depreciation, amortization and depletion** | ₱49,587 | ₱45,075 | ₱145,774 | ₱36,601 | ₱8,381 | ₱37,573 | ₱13,842 | ₱– | ₱– | ₱2,432 | ₱– | ₱339,265 |

| | December 31, 2018 (Audited) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mining | | | | | Power | | Services | | | | |
| | HMC | CMC | TMC | RTN | DMC | EPI | NAC | RTN/TMC | HMC | Others | Eliminations | Total |
| External customers | ₱2,181,053 | ₱3,300,103 | ₱7,862,910 | ₱4,397,494 | ₱– | ₱239,934 | ₱38,473 | ₱627,705 | ₱– | ₱– | ₱– | ₱18,647,672 |
| Inter-segment revenues | – | – | – | – | – | – | – | – | 1,537 | 649,996 | (651,533) | – |
| Total revenues | 2,181,053 | 3,300,103 | 7,862,910 | 4,397,494 | – | 239,934 | 38,473 | 627,705 | 1,537 | 649,996 | (651,533) | 18,647,672 |
| Cost of sale of ore | 1,010,158 | 1,093,753 | 2,526,732 | 2,140,310 | – | – | – | – | – | – | – | 6,770,953 |
| Cost of services | – | – | – | – | – | – | – | 369,175 | 716 | – | – | 369,891 |
| Cost of power generation | – | – | – | – | – | 299,399 | 61,223 | – | – | – | – | 360,622 |
| Shipping and loading costs | 412,027 | 437,154 | 792,766 | 307,542 | – | – | – | – | – | – | – | 1,949,489 |
| Excise taxes and royalties | 196,295 | 601,568 | 786,291 | 219,875 | – | – | – | – | – | – | – | 1,804,029 |
| Marketing | 8,836 | 115,340 | 16,034 | – | – | – | – | – | – | – | – | 140,210 |
| Segment operating earnings (loss) | ₱553,737 | ₱1,052,288 | ₱3,741,087 | ₱1,729,767 | ₱– | (₱59,465) | (₱22,750) | ₱258,530 | ₱821 | ₱649,996 | (₱651,533) | ₱7,252,478 |
| General and administrative | ₱96,840 | ₱59,550 | ₱157,286 | ₱103,751 | ₱124,825 | ₱129,164 | ₱21,358 | ₱– | ₱– | ₱520,267 | ₱– | ₱1,213,041 |
| Finance income | ₱2,464 | ₱30,855 | ₱43,390 | ₱35,571 | ₱42 | ₱158 | ₱932 | ₱– | ₱– | ₱241,391 | ₱– | ₱354,803 |
| Finance expenses | ₱1,557 | ₱3,986 | ₱13,394 | ₱10,636 | ₱1,996 | ₱94,360 | ₱7,363 | ₱– | ₱– | ₱60,700 | ₱– | ₱193,992 |
| Provision for (benefit from) income tax | ₱111,470 | ₱273,625 | ₱1,075,478 | ₱504,516 | (₱19,091) | ₱948 | ₱– | ₱– | (₱2,854) | ₱164,383 | ₱– | ₱2,108,475 |
| Net income (loss) attributable to equity holders of the parent | ₱361,939 | ₱741,589 | ₱1,925,292 | ₱885,420 | (₱112,659) | (₱715,206) | (₱50,539) | ₱– | ₱– | (₱27,779) | ₱– | ₱3,008,057 |
| Segment assets | ₱1,416,556 | ₱2,544,814 | ₱10,337,287 | ₱4,595,027 | ₱1,225,473 | ₱11,117,239 | ₱933,496 | ₱– | ₱48,091 | ₱13,478,573 | ₱– | ₱45,696,556 |
| Deferred income tax assets | 42,796 | 35,662 | 75,235 | 80,182 | 55,076 | – | – | – | – | 47,000 | – | 335,951 |
| Total assets | ₱1,459,352 | ₱2,580,476 | ₱10,412,522 | ₱4,675,209 | ₱1,280,549 | ₱11,117,239 | ₱933,496 | ₱– | ₱48,091 | ₱13,525,573 | ₱– | ₱46,032,507 |
| Segment liabilities | ₱235,508 | ₱337,815 | ₱2,412,939 | ₱1,092,732 | ₱89,563 | ₱7,265,872 | ₱4,599 | ₱– | ₱– | ₱388,548 | ₱– | ₱11,827,576 |
| Deferred income tax liabilities - net | 5,125 | 5,051 | 60,429 | 156,285 | 177,556 | 113,652 | – | – | 17,561 | 218,442 | – | 754,101 |
| Total liabilities | ₱240,633 | ₱342,866 | ₱2,473,368 | ₱1,249,017 | ₱267,119 | ₱7,379,524 | ₱4,599 | ₱– | ₱17,561 | ₱606,990 | ₱– | ₱12,581,677 |
| Capital expenditures | ₱133,335 | ₱241,995 | ₱377,934 | ₱249,129 | ₱74,197 | ₱28,462 | ₱5,644 | ₱– | ₱– | ₱33,573 | ₱– | ₱1,144,269 |
| Depreciation, amortization and depletion | ₱226,172 | ₱175,878 | ₱568,202 | ₱149,981 | ₱24,609 | ₱157,610 | ₱30,858 | ₱– | ₱– | ₱19,295 | ₱– | ₱1,352,605 |

| | 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 | 73,091 | 128,247 | – | – | – | – | 2,378 | – | – | 237,433 |
| Excise taxes and royalties | – | 7,500 | 72,495 | 61,484 | – | – | – | – | – | – | – | 141,479 |
| Segment operating earnings (loss) | (₱24,060) | (₱17,157) | ₱198,919 | ₱358,188 | ₱– | (₱2,542) | ₱– | ₱58,228 | (₱2,125) | ₱87,078 | (₱87,078) | ₱569,451 |
| 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 | ₱– | ₱– | ₱58,546 | ₱– | ₱78,758 |
| 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) | ₱66,604 | ₱– | ₱249,388 |
| Net income (loss) attributable to equity holders of the parent | (₱40,400) | (₱11,649) | ₱130,437 | ₱205,301 | (₱23,661) | (₱43,339) | (₱14,321) | ₱– | ₱– | ₱254,312 | ₱– | ₱456,680 |
| Segment assets | ₱1,490,946 | ₱2,279,600 | ₱8,842,090 | ₱4,351,967 | ₱1,227,764 | ₱11,730,055 | ₱845,107 | ₱– | ₱37,327 | ₱15,177,681 | ₱– | ₱45,982,537 |
| Deferred income tax assets | 43,899 | 25,555 | 27,369 | 29,699 | 22,535 | – | – | – | – | – | – | 149,057 |
| Total assets | ₱1,534,845 | ₱2,305,155 | ₱8,869,459 | ₱4,381,666 | ₱1,250,299 | ₱11,730,055 | ₱845,107 | ₱– | ₱37,327 | ₱15,177,681 | ₱– | ₱46,131,594 |
| Segment liabilities | ₱196,188 | ₱401,365 | ₱2,027,711 | ₱852,991 | ₱130,389 | ₱7,258,360 | ₱1,012 | ₱– | ₱– | ₱419,311 | ₱– | ₱11,287,327 |
| Deferred income tax liabilities - net | – | – | – | 174,832 | 164,105 | 112,672 | – | – | 19,701 | 180,622 | – | 651,932 |
| Total liabilities | ₱196,188 | ₱401,365 | ₱2,027,711 | ₱1,027,823 | ₱294,494 | ₱7,371,032 | ₱1,012 | ₱– | ₱19,701 | ₱599,933 | ₱– | ₱11,939,259 |
| 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 |

The Group has revenues from external customers as follows:

| | For the three-month period ended March 31 | |
|---|---|---|
| | **2019** | 2018 |
| Country of Domicile | (Unaudited) | |
| Local | **₱1,229,743** | ₱1,205,465 |
| China | **475,711** | 785,205 |
| Japan | **270,095** | 173,271 |
| | **₱1,975,549** | ₱2,163,941 |

The revenue information above is based on the location of the customers. The local customers include CBNC and THNC, which are PEZA-registered entities.

Revenue arising from two key customers for the sale of ores amounted to ₱1,129.0 million and ₱1,452.6 million for the three months ended March 31, 2019 and 2018, respectively.