111122019000797

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	111122019000797
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
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Department	CFD
Remarks	

COVER SHEET

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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)

8892-6669 / 8892-4177
(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

1	7	-	Q	

(Form Type)

0	6		1st Friday

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

95	₱2,815.2 million	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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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 8892 6669 / +63 2 8892 4177
(Telephone Numbers)

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

SEC FORM 17-Q Quarterly Report
Form Type

____
Amendment Delegation (If applicable)

For the Nine Months Ended
September 30, 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: **SEPTEMBER 30, 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 — Postal Code
   28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City — **1634**
8. Issuer's telephone number, including area code: **+63 2 8892 6669 / +63 2 8892 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	**13,670,230,117 shares**
Short and Long-term Debts	**Php2,815.2 million**

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

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

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

NICKEL ASIA CORP.

November 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 3rd 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 September 30, 2019.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP - Chief Financial Officer

NICKEL ASIA CORPORATION

17-Q QUARTERLY REPORT

SEPTEMBER 30, 2019

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PART I – FINANCIAL INFORMATION

Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2019 (with Comparative Audited Statement of Financial Position as at December 31, 2018) and for the nine-month period ended September 30, 2019 and 2018 are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2019 and 2018 and as at September 30, 2019 and December 31, 2018:

Summary Consolidated Statements of Income

	For the Nine Months Ended September 30		Increase	Percent
	2019	2018	(Decrease)	Inc (Dec)
	(In Thousand Pesos)			
Revenue from contracts with customers	13,585,460	14,580,346	(994,886)	-7%
Costs	(6,244,292)	(5,820,342)	423,950	7%
Operating expenses	(3,759,668)	(3,952,251)	(192,583)	-5%
Finance income	309,912	250,799	59,113	24%
Finance expenses	(173,443)	(133,692)	39,751	30%
Equity in net income (losses) of associates	(85,069)	616,728	(701,797)	-114%
Other income - net	173,478	598,463	(424,985)	-71%
Provision for income tax - net	(1,164,688)	(1,774,695)	(610,007)	-34%
Net income	2,641,690	4,365,356	(1,723,666)	-39%
Net income attributable to:				
Equity holders of the parent	1,917,903	3,366,883	(1,448,980)	-43%
Non-controlling interests	723,787	998,473	(274,686)	-28%
	2,641,690	4,365,356	(1,723,666)	-39%

Summary Consolidated Statements of Financial Position

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	22,537,041	20,980,750	1,556,291	7%
Noncurrent assets	24,605,878	25,051,757	(445,879)	-2%
Total assets	47,142,919	46,032,507	1,110,412	2%
Current liabilities	9,910,658	9,866,090	44,568	0%
Noncurrent liabilities	2,470,589	2,715,587	(244,998)	-9%
Equity attributable to equity holders of the Parent	30,765,978	29,664,707	1,101,271	4%
Non-controlling interests	3,995,694	3,786,123	209,571	6%
Total liabilities and equity	47,142,919	46,032,507	1,110,412	2%
	-	-		

Summary Consolidated Statements of Cash Flows

	For the Nine Months Ended September 30		Increase	Percent
	2019	2018	(Decrease)	Inc (Dec)
	(In Thousand Pesos)			
Net cash flows from (used in):				
Operating activities	3,556,181	5,208,841	(1,652,660)	-32%
Investing activities	(776,446)	830,869	(1,607,315)	-193%
Financing activities	(2,415,397)	(4,590,102)	(2,174,705)	-47%
Net increase in cash and cash equivalents	364,338	1,449,608	(1,085,270)	-75%
Cash and cash equivalents, beginning	10,784,369	9,635,514	1,148,855	12%
Cash and cash equivalents, end	11,148,707	11,085,122	63,585	1%

Item B. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following discussion and analysis is based on the unaudited interim consolidated financial statements for the nine months ended September 30, 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.

Nine months ended September 30, 2019 compared with nine months ended September 30, 2018

Revenue from Contracts with Customers

Our total revenue during the nine months ended September 30, 2019 was ₱13,585.5 million, lower by ₱994.9 million or 7%, compared to ₱14,580.3 million in the same period last year.

Sale of ore

The Group sold an aggregate of 15.29 million wet metric tons (WMT) of nickel ore during the nine months ended September 30, 2019 as against 15.55 million WMT in the same period last year. Limonite ore deliveries to the two processing plants increased from 5.78 million WMT last year to 6.34 million WMT this year.

On a per mine basis, the Group's Rio Tuba mine exported 1.25 million WMT of saprolite ore and delivered 2.69 million WMT of limonite ore to the Coral Bay processing plant for the first three quarters of 2019. This compares to sales of 1.61 million WMT of saprolite ore and 2.69 million WMT of limonite ore to the Coral Bay processing plant in the same period last year.

The Group's Taganito mine shipped 3.26 million WMT of saprolite ore and 3.67 million WMT of limonite ore, of which 3.61 million WMT were delivered to the Taganito processing plant, during the first three quarters of 2019. This compares to sales of 3.31 million WMT of saprolite and 3.63 million WMT of limonite ore, of which 3.09 million WMT were delivered to the Taganito processing plant, for the comparable period last year.

The Company's Hinatuan mine shipped 0.49 million WMT of saprolite ore and 1.43 million WMT of limonite ore, of which 0.01 million WMT was delivered to the Coral Bay processing plant, during the first nine months of 2019 compared to 1.21 million WMT, 0.67 million WMT and nil, respectively, during the same period last year. Meanwhile, Cagdianao mine was able to ship 2.48 million WMT of saprolite ore and 0.03 million WMT of limonite ore was delivered to the Coral Bay processing plant in 2019 compared to 2.42 million WMT of saprolite ore only in 2018.

In terms of price, the Group realized an average of $5.96 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), for the nine months ended September 30, 2019. This compares to an average price of $6.21 per pound of payable nickel sold in the same period last year. With respect to export sales, the Group achieved an average price of $21.49 per WMT compared to $20.79 per WMT realized last year. On a combined basis, the average price received for sales of both saprolite and limonite ore in the first nine months of 2019 was $15.84 per WMT, 6% lower than the $16.86 achieved in 2018.

The realized peso to US dollar exchange rate for ore sales was ₱51.89 during the nine months ended September 30, 2019 compared to ₱52.89 in the same period last year.

Rio Tuba's revenue from sale of limestone was lower by 27% at ₱263.0 million during the first nine months of 2019 compared to ₱360.7 million during the same period last year as a result of the decline in the volume of limestone sold.

Services and Others

Services revenue largely consists of payments made to us in consideration for the 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. Our revenue from services and others was higher by ₱16.9 million or from ₱479.7 million to ₱496.6 million due to increase in materials handled by RTN for CBNC.

Sale of Power

Revenue from the sale of power grew by 27% to ₱254.3 million from ₱199.6 million on account of a more favorable average selling price and higher solar capacity, from 30.82 megawatt (MW) to 32.33 MW. Moreover as of end of September 2019, all the generator sets of the Company's diesel power plant in Surigao City are operating commercially, thus revenue from power generation activities was higher in the recent period.

Costs

Our costs went up by 7% or by ₱424.0 million, from ₱5,820.3 million to ₱6,244.3 million.

Cost of Sale of Ore

Our cost from the sale of ore increased by 7% to ₱5,643.1 million from ₱5,285.9 million due to higher production volume and cost per WMT during the current period. The increase in production cost arose from personnel cost, overhead and outside services. There was also a change in sales mix such as the shipments of limonite ore in China, which have relatively low cost, was lower in the current period compared to the same period last year.

Cost of Power Generation
Cost of power generation went up by 21% to ₱311.8 million from ₱257.4 million due to higher operation and maintenance cost of Jobin-SQM, Inc.'s (Jobin) 32.33 MW solar plant plus the commercial operation of the three generator sets of the diesel power plant in Surigao City.

Cost of Services
Cost of services grew by 4% to ₱289.4 million from ₱277.1 million which was attributable mainly to the 9% increase in materials handled by RTN for CBNC.

Operating Expenses
Shipping and Loading Costs
Shipping and loading costs declined by 11% mainly because of lower net demurrage incurred during the nine months ended September 30, 2019 which amounted to ₱12.5 million dispatch compared to ₱43.4 million demurrage during the same period last year. Although the landing craft transports chartered during the current period were more or less the same, the chartering period during the first nine months of 2018 was longer.

Excise Taxes and Royalties
Our excise taxes and royalties went down by 5% to ₱1,375.6 million from ₱1,443.2 million which was mainly triggered by lower volume and value of shipments in the current period.

General and Administrative
General and administrative expenses rose by 6% from ₱742.4 million to ₱786.1 million during the first three quarters of 2019 mainly due to the accrual of 2018 employee stock option, which forms part of personnel cost, effect of the annual increase in employee rates and boost of various campaign and promotional videos. However, this was partially offset by the decrease in representation expenses of ₱23.5 million.

Finance Income
Finance income went up by 24% to ₱309.9 million from ₱250.8 million as a result of higher interest from short-term cash placements.

Finance Expenses
Finance expenses rose by 30% to ₱173.4 million from ₱133.7 million due to interest rate repricing of bank loans from an average of 4.77% during the first three quarters of 2018 to an average of 6.98% during the first three quarters of 2019.

Equity in Net Income (Losses) of Associates
Our total share of losses in THNC and CBNC amounted to ₱85.1 million, a substantial turnaround from the ₱616.7 million share of earnings in 2018. The loss from the two plants was mainly driven by the huge fall in cobalt prices, a by-product of both plants. The average realized cobalt price for the first nine months of 2019 was $16.46 per pound of payable cobalt compared to $39.05 for the same period last year.

Other Income - Net
Other income - net significantly declined by 71% to ₱173.5 million from ₱598.5 million mainly due to the impact of a steady appreciation of the peso vis-à-vis the US dollar which resulted to a net foreign exchange loss of ₱104.9 million during the first three quarters of 2019, a turnaround from a gain of ₱647.0 million recognized in the same period last year. However, the decline in 2019 was partially offset by the: 1) gains in fair value changes of financial assets amounting to ₱80.3 million, as a result

of improved market condition, compared to ₱113.6 million loss in the comparable period last year; and 2) rent income arising from capital recovery fee billed to Surigao Del Norte Electric Cooperative, Inc. by the diesel power plant.

Provision for Income Tax - Net

Our net provision for income tax was lower by 34% due to lower taxable income base during the current period compared to the same period last year.

Net Income

As a result of the foregoing, our consolidated net income was ₱2,641.7 million during the nine months ended September 30, 2019 compared to ₱4,365.4 million during the nine months ended September 30, 2018. Net of non-controlling interests, our net income for the first three quarters of the current year amounted to ₱1,917.9 million, which is lower by 43% compared to the ₱3,366.9 million reported in the same period last year.

Statement of Financial Position

Total assets slightly improved by ₱1,110.4 million from ₱46,032.5 million as of the end of 2018 to ₱47,142.9 million as of the end of September 30, 2019. Current assets went up to ₱22,537.0 million from ₱20,980.8 million mainly due to increase in trade and other receivables.

The slight drop in noncurrent assets from ₱25,051.8 million to ₱24,605.9 million was propelled by the decline in the value of our investments in associates which was caused by weaker nickel and cobalt prices and redemption of some of our investments in bonds; however this was partially offset by the additional loans extended to East Coast during the period.

Current liabilities was slightly higher from ₱9,866.1 million to ₱9,910.7 million due to higher income tax payable at the end of third quarter which is a peak period of operation.

Noncurrent liabilities slid by 9% to ₱2,470.6 million from ₱2,715.6 million due to decrease in deferred income tax liabilities by ₱203.1 million as a result of peso appreciation against US dollar.

Our equity net of non-controlling interests rose by 4% to ₱30,766.0 million as a result of continued profitable operations during the first three quarters of the current year.

Statement of Cash Flows

Net cash from operating activities during the first nine months of 2019 amounting to ₱3,556.2 million was lower compared to ₱5,208.8 million during the same period last year due to lower revenue.

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 three quarters of 2019, net acquisitions of financial assets and property and equipment amounted to ₱123.7 million and ₱900.1 million, respectively. Meanwhile in the first three quarters of 2018, the net acquisitions of property and equipment of ₱858.4 million was offset by the proceeds from sale of financial assets in debt and equity securities of ₱1,558.6 million. In addition, spending for project development cost was higher in the recent period at ₱90.1 million compared to ₱15.7 million last year.

During the first three quarters of 2019 and 2018, the Group paid cash dividends, short-term and long-term debts, including interest, amounting to a total of ₱3,888.2 million and ₱6,075.9 million, respectively. However, the amount spent for financing activities were partially offset by the renewal of bank loans amounting to ₱1,488.9 million in both periods.

As at September 30, 2019 and 2018, cash and cash equivalents amounted to ₱11,148.7 million and ₱11,085.1 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 nine months ended September 30, 2019 was ₱598.44 per WMT on the basis of aggregate costs of ₱9,152.5 million and a total sales volume of 15.29 million WMT of ore. This compares to ₱572.45 per WMT during the same period in 2018 on the basis of aggregate costs of ₱8,901.9 million and a total sales volume of 15.55 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 nine months ended September 30, 2019 was ₱1,917.9 million compared to ₱3,366.9 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 nine months ended September 30, 2019 and 2018, the Group has rehabilitated and reforested a total of 116 hectares and 163 hectares, respectively, with corresponding number of trees planted of about 357,465 and 367,840, 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 million man-hours worked for the period. Our frequency rate was 0.28 and 0.11 for the nine months ended September 30, 2019 and 2018, respectively.

Liquidity and Capital Resources

As of September 30, 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 September 30, 2019 and December 31, 2018, our working capital, defined as the difference between our current assets and current liabilities, was ₱12,626.4 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, 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. During the first three quarters of 2019, HMC's tonnage consists of 10% of the Group's total volume shipped.

As at September 30, 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

September 30, 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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
A. *Liquidity analysis ratios*		
Current ratio or working capital ratio	**2.27**	2.12
Quick ratio	**1.78**	1.66
Solvency ratio	**3.81**	3.62
B. *Financial leverage ratios*		
Debt ratio	**0.26**	0.28
Debt-to-equity ratio	**0.36**	0.38
Asset-to-equity ratio	**1.36**	1.38
Interest coverage ratio	**25.06**	54.12
C. *Profitability ratios*		
Net profit margin	**0.19**	0.30
Return on assets	**0.06**	0.09
Return on equity	**0.08**	0.13
Gross profit margin	**0.54**	0.60
Price/earnings ratio	**28.29**	9.72

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

November 8, 2019

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

November 8, 2019

NICKEL ASIA CORPORATION
SEC FORM 17-Q
INDEX TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019
(With Comparative Audited Figures as at December 31, 2018)
(Amounts in Thousands)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱11,148,707**	₱10,784,369
Trade and other receivables (Notes 5 and 29)	**1,887,351**	1,056,568
Inventories (Note 6)	**3,744,065**	3,744,274
Financial assets at (Note 7):		
Fair value through other comprehensive income (FVOCI)	**2,735,658**	2,608,301
Fair value through profit or loss (FVTPL)	**1,669,959**	1,420,718
Amortized cost	**244,217**	201,770
Prepayments and other current assets	**1,107,084**	1,164,750
Total Current Assets	**22,537,041**	20,980,750
Noncurrent Assets		
Property and equipment (Note 8)	**14,955,047**	15,078,220
Investments in associates (Note 9)	**3,279,058**	3,540,589
Geothermal exploration and evaluation assets (Note 10)	**1,802,931**	1,793,444
Financial assets at - net of current portion (Note 7):		
FVTPL	**585,928**	585,928
Amortized cost	**210,000**	330,000
Deferred income tax assets	**195,538**	335,951
Long-term stockpile inventory - net of current portion (Note 11)	**105,601**	105,601
Other noncurrent assets	**3,471,775**	3,282,024
Total Noncurrent Assets	**24,605,878**	25,051,757
TOTAL ASSETS	**₱47,142,919**	₱46,032,507
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12 and 29)	**₱7,460,751**	₱7,664,984
Short-term debts (Note 13)	**1,489,618**	1,492,268
Income tax payable	**688,767**	415,789
Other current liability	**169,079**	169,079
Current portion of:		
Long-term debts (Note 13)	**97,443**	118,970
Long-term payable	**5,000**	5,000
Total Current Liabilities	**9,910,658**	9,866,090
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 13)	**1,228,117**	1,288,562
Deferred income tax liabilities - net	**550,982**	754,101
Pension liability	**343,326**	327,905
Provision for mine rehabilitation and decommissioning (Note 14)	**279,781**	274,227
Deferred income - net of current portion	**51,327**	54,469
Long-term payable - net of current portion	**17,056**	16,323
Total Noncurrent Liabilities	**2,470,589**	2,715,587
Total Liabilities	**12,381,247**	12,581,677

(Forward)

	September 30, 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)	**715,933**	780,412
Cost of share-based payment plan (Note 16)	**338,888**	240,003
Asset revaluation surplus	**31,427**	31,714
Net valuation gains (losses) on financial assets at FVOCI	**26,648**	(92,504)
Retained earnings:		
Unappropriated	**12,755,471**	11,794,529
Appropriated (Note 15)	**1,818,628**	1,818,628
Treasury stock (Note 15)	**(33,308)**	(20,366)
	30,765,978	29,664,707
Non-controlling Interests (NCI)	**3,995,694**	3,786,123
Total Equity	**34,761,672**	33,450,830
TOTAL LIABILITIES AND EQUITY	**₱47,142,919**	₱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 SEPTEMBER 30, 2019 AND 2018
(Amounts in Thousands, Except Earnings per Share)

	2019	2018
	(Unaudited)	
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 29)		
Sale of ore	**₱5,921,980**	₱6,963,435
Services and others	**155,788**	171,214
Sale of power	**47,634**	70,120
	6,125,402	7,204,769
COSTS		
Sale of ore (Note 18)	**2,143,833**	2,025,731
Power generation (Note 19)	**97,318**	108,320
Services (Note 20)	**93,990**	91,409
	2,335,141	2,225,460
OPERATING EXPENSES		
Shipping and loading costs (Note 21)	**684,479**	717,824
Excise taxes and royalties (Note 22)	**682,659**	799,854
General and administrative (Note 23)	**270,518**	247,262
Marketing	**67,868**	82,959
	1,705,524	1,847,899
FINANCE INCOME (Note 26)	**98,247**	94,303
FINANCE EXPENSES (Note 27)	**(59,505)**	(49,508)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 9)	**(4,346)**	90,779
OTHER INCOME - Net (Note 28)	**151,876**	168,588
INCOME BEFORE INCOME TAX	**2,271,009**	3,435,572
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)		
Current	**683,854**	992,940
Deferred	**17,725**	(16,655)
	701,579	976,285
NET INCOME	**₱1,569,430**	₱2,459,287
Net income attributable to:		
Equity holders of the parent	**₱1,204,154**	₱1,975,917
NCI	**365,276**	483,370
	₱1,569,430	₱2,459,287
Basic/Diluted Earnings Per Share (EPS)	**₱0.09**	₱0.15

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Amounts in Thousands, Except Earnings per Share)

	2019	2018
	(Unaudited)	
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 29)		
Sale of ore	**₱12,834,569**	₱13,901,073
Services and others	**496,629**	479,666
Sale of power	**254,262**	199,607
	13,585,460	14,580,346
COSTS		
Sale of ore (Note 18)	**5,643,137**	5,285,885
Power generation (Note 19)	**311,775**	257,383
Services (Note 20)	**289,380**	277,074
	6,244,292	5,820,342
OPERATING EXPENSES		
Shipping and loading costs (Note 21)	**1,463,650**	1,645,733
Excise taxes and royalties (Note 22)	**1,375,579**	1,443,171
General and administrative (Note 23)	**786,095**	742,362
Marketing	**134,344**	120,985
	3,759,668	3,952,251
FINANCE INCOME (Note 26)	**309,912**	250,799
FINANCE EXPENSES (Note 27)	**(173,443)**	(133,692)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 9)	**(85,069)**	616,728
OTHER INCOME - Net (Note 28)	**173,478**	598,463
INCOME BEFORE INCOME TAX	**3,806,378**	6,140,051
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)		
Current	**1,228,400**	1,730,220
Deferred	**(63,712)**	44,475
	1,164,688	1,774,695
NET INCOME	**₱2,641,690**	₱4,365,356
Net income attributable to:		
Equity holders of the parent	**₱1,917,903**	₱3,366,883
NCI	**723,787**	998,473
	₱2,641,690	₱4,365,356
Basic/Diluted EPS (Note 17)	**₱0.14**	₱0.25

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Amounts in Thousands)

	2019	2018
	(Unaudited)	
NET INCOME	**₱2,641,690**	₱4,365,356
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	**(64,479)**	350,727
Net valuation gains (losses) on financial assets at FVOCI	**119,152**	(47,106)
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	**54,673**	303,621
Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:		
Asset revaluation surplus	**(287)**	(287)
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	**54,386**	303,334
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱2,696,076**	₱4,668,690
Total comprehensive income attributable to:		
Equity holders of the parent	**₱1,972,289**	₱3,670,217
NCI	**723,787**	998,473
	₱2,696,076	₱4,668,690

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	–	–	–	–	–	–	**1,917,903**	–	–	**1,917,903**	**723,787**	**2,641,690**
Other comprehensive income (loss)	–	–	**(64,479)**	–	**119,152**	**(287)**	–	–	–	**54,386**	–	**54,386**
Total comprehensive income (loss)	–	–	**(64,479)**	–	**119,152**	**(287)**	**1,917,903**	–	–	**1,972,289**	**723,787**	**2,696,076**
Cost of share-based payment plan (Note 16)	–	–	–	**98,885**	–	–	–	–	–	**98,885**	–	**98,885**
Cash dividends - ₱0.07 per share (Note 15)	–	–	–	–	–	–	**(957,248)**	–	–	**(957,248)**	–	**(957,248)**
Cash dividends to NCI	–	–	–	–	–	–	–	–	–	–	**(515,000)**	**(515,000)**
Elimination of NCI at disposal	–	–	–	–	–	–	–	–	–	–	**784**	**784**
Acquisition of treasury stock (Note 15)	–	–	–	–	–	–	–	–	**(12,942)**	**(12,942)**	–	**(12,942)**
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	**287**	–	–	**287**	–	**287**
Balances at September 30, 2019 (Unaudited)	**₱6,849,836**	**₱8,262,455**	**₱715,933**	**₱338,888**	**₱26,648**	**₱31,427**	**₱12,755,471**	**₱1,818,628**	**(₱33,308)**	**₱30,765,978**	**₱3,995,694**	**₱34,761,672**

See accompanying Notes to Unaudited Consolidated Financial Statements.

	Equity Attributable to Equity Holders of the Parent												
								Retained Earnings					
	Capital Stock (Note 15)	Stock Dividends Distributable (Note 15)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment	Cost of Share-based Payment Plan	Net Valuation Gains (Losses) on Financial Assets at FVOCI	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	–	–	–	–	–	–	–	3,366,883	–	–	3,366,883	998,473	4,365,356
Other comprehensive income (loss)	–	–	–	350,727	–	(47,106)	(287)	–	–	–	303,334	–	303,334
Total comprehensive income (loss)	–	–	–	350,727	–	(47,106)	(287)	3,366,883	–	–	3,670,217	998,473	4,668,690
Cost of share-based payment plan	–	–	–	–	3,768	–	–	–	–	–	3,768	–	3,768
Stock dividends (Note 15)	–	3,041,171	–	–	–	–	–	(3,041,171)	–	–	–	–	–
Cash dividends (Note 15)	–	–	–	–	–	–	–	(3,193,230)	–	–	(3,193,230)	–	(3,193,230)
Cash dividends to NCI	–	–	–	–	–	–	–	–	–	–	–	(515,000)	(515,000)
Reversal of appropriation (Note 15)	–	–	–	–	–	–	–	1,000,000	(1,000,000)	–	–	–	–
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	–	287	–	–	287	–	287
Balances at September 30, 2018 (Unaudited)	₱3,808,665	₱3,041,171	₱8,262,455	₱914,879	₱141,403	(₱89,911)	₱31,810	₱13,864,814	₱95,583	₱–	₱30,070,869	₱4,312,220	₱34,383,089

See accompanying Notes to Unaudited Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Thousands)

	2019	2018
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,806,546**	₱6,140,051
Adjustments for:		
Depreciation, amortization and depletion (Notes 8 and 25)	**1,020,776**	999,155
Interest income (Note 26)	**(309,912)**	(250,799)
Interest expense (Notes 13, 20 and 27)	**158,179**	115,598
Cost of share-based payment plan (Notes 16 and 24)	**98,885**	3,768
Loss (gain) on:		
Changes in fair value of financial assets at FVTPL (Notes 7 and 28)	**(80,347)**	113,583
Sale of financial assets at FVOCI (Note 28)	**(12,827)**	46,485
Sale of property and equipment (Note 28)	**(1,452)**	(37,802)
Redemption of financial assets at amortized cost (Note 28)	**(200)**	(2,353)
Disposal of subsidiaries	**(656)**	–
Equity in net losses (income) of associates (Note 9)	**85,069**	(616,728)
Dividend income (Notes 7 and 28)	**(40,530)**	(33,898)
Accretion of interest on provision for mine rehabilitation and decommissioning (Notes 14 and 27)	**5,554**	6,808
Unrealized foreign exchange gains - net	**(5,519)**	(5,548)
Movements in pension liability	**(73)**	12,472
Operating income before working capital changes	**4,723,493**	6,490,792
Decrease (increase) in:		
Trade and other receivables	**(833,479)**	(797,796)
Inventories	**209**	(40,040)
Prepayments and other current assets	**61,606**	(99,751)
Increase in trade and other payables	**559,942**	612,605
Net cash generated from operations	**4,511,771**	6,165,810
Income taxes paid	**(955,590)**	(956,969)
Net cash flows from operating activities	**3,556,181**	5,208,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at (Note 7):		
FVOCI	**(1,773,380)**	(1,109,332)
FVTPL	**(1,009,541)**	(596,204)
Amortized cost	**(58,447)**	(48,455)
Property and equipment (Note 8)	**(905,110)**	(919,389)
Proceeds from sale of:		
Financial assets at (Note 7):		
FVOCI	**1,750,496**	1,352,683
FVTPL	**830,953**	1,761,521
Amortized cost	**136,200**	198,401
Property and equipment	**5,020**	61,012
Interest received	**405,993**	250,128
Increase in:		
Other noncurrent assets	**(189,751)**	(146,313)
Geothermal exploration and evaluation assets	**(9,487)**	(7,090)
Dividends received	**40,608**	33,907
Net cash flows from (used in) investing activities	**(776,446)**	830,869

(Forward)

	2019	2018
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(₱2,212,248)**	(₱4,418,230)
Short-term debts	**(1,500,000)**	(1,500,000)
Long-term debts	**(58,228)**	(77,868)
Availment of short-term debts	**1,488,903**	1,488,923
Interest paid	**(117,740)**	(79,785)
Acquisitions of treasury stock (Note 15)	**(12,942)**	–
Decrease in deferred income	**(3,142)**	(3,142)
Net cash flows used in financing activities	**(2,415,397)**	(4,590,102)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**364,338**	1,449,608
CASH AND CASH EQUIVALENTS AT JANUARY 1	**10,784,369**	9,635,514
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30 (Note 4)	**₱11,148,707**	₱11,085,122

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.

The Subsidiaries

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. In 2014, LCSLC sold 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 Board of Directors (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 November 8, 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. On September 18, 2019, EPI sold all of its investment in MEI to Shell Gas B.V.

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. On January 15, 2019, ERC granted to Jobin the Certificate of Compliance for the 7.14 MW and 25.19 MW which is valid until November 15, 2021. 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. On August 28, 2019, MEI assigned its 50% ownership in Mantex to G.A.A Delgado, Inc.

The interim consolidated financial statements as at September 30, 2019 and December 31, 2018 and for the nine-month period ended September 30, 2019 and 2018, were authorized for issuance by the Parent Company's BOD on November 8, 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 September 30, 2019 and for the nine-month period ended September 30, 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 its equity share in earnings (losses) of its associates:

			Effective Ownership	
	Principal Place of Business	Principal Activities	**September 30, 2019**	September 30, 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%
BHI [(d)]	Philippines	Services	**86.29%**	86.29%
Jobin [(d)]	Philippines	Power Generation	**86.29%**	86.29%

	Principal Place of Business	Principal Activities	Effective Ownership **September 30, 2019**	September 30, 2018
BGI [(d)]	Philippines	Power Generation	**51.77%**	51.77%
Mantex [(d)]	Philippines	Management and Advisory Services	–	43.15%
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.

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

<u>Changes in Accounting Policies</u>
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 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 September 30, 2019, the Group continues to assess the impact of adopting PFRS 16, *Leases* on its interim 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 September 30, 2018 and for the nine months ended September 30, 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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand and with banks	**₱1,247,075**	₱835,643
Short-term cash investments	**9,810,738**	9,841,772
Cash under managed funds	**90,894**	106,954
	₱11,148,707	₱10,784,369

5. Trade and Other Receivables

Trade and other receivables amounting to ₱57.3 million and ₱57.4 million as at September 30, 2019 and December 31, 2018, respectively, 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 September 30, 2019 and December 31, 2018 are summarized below:

September 30, 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)	**₱1,304,551**	**₱63,011**	**₱42,617**	**₱1,410,179**
Current portion of loan receivable	**256,473**	**–**	**–**	**256,473**
Interest receivable	**62,052**	**–**	**–**	**62,052**
Receivable from CBNC (see Note 29)	**4,344**	**48,835**	**–**	**53,179**
Advances to officers and employees	**38,194**	**7,309**	**95**	**45,598**
Amounts owed by related parties (see Note 29)	**4,191**	**–**	**4,228**	**8,419**
Others	**63,962**	**34,429**	**10,344**	**108,735**
Total	**₱1,733,767**	**₱153,584**	**₱57,284**	**₱1,944,635**

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
Receivable from CBNC (see Note 29)	13,638	28,197	–	41,835
Advances to officers and employees	29,596	8,290	123	38,009
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 September 30, 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 for impairment losses on inventories and the reversal of allowance for impairment losses on inventories amounted to nil and ₱1.7 million for the nine months ended September 30, 2019 and 2018, respectively.

The cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱3,395.7 million and ₱3,361.6 million as at September 30, 2019 and December 31, 2018, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱451.2 million and ₱485.6 million as at September 30, 2019 and December 31, 2018, respectively.

7. Financial Assets

The movements in financial assets follow:

	September 30, 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	**1,734,301**	**1,008,919**	**58,447**	1,539,437	789,181	48,439	–
Disposals	**(1,723,073)**	**(832,754)**	**–**	(1,764,230)	(2,007,499)	–	–
Redemption	**–**	**–**	**(136,000)**	–	–	(196,048)	–
Effect of changes in foreign exchange rate	**(11,194)**	**(7,271)**	**–**	26,669	23,856	–	–
Net valuation gains (losses) on financial assets	**127,323**	**80,347**	**–**	(52,241)	(129,815)	(13,896)	–
Balances at end of period	**2,735,658**	**2,255,887**	**454,217**	2,608,301	2,006,646	531,770	–
Less noncurrent portion	**–**	**585,928**	**210,000**	–	585,928	330,000	–
Current portion	**₱2,735,658**	**₱1,669,959**	**₱244,217**	₱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 ₱40.5 million and ₱33.9 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 28), while interest income from debt securities amounted to ₱96.3 million and ₱104.3 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 26).

8. Property and Equipment

During the nine-month period ended September 30, 2019 and 2018, the Group acquired assets with a cost of ₱905.1 million and ₱919.4 million, respectively, including construction in-progress.

Depreciation, amortization and depletion expense for the nine-month period ended September 30, 2019 and 2018 amounted to ₱1,020.8 million and ₱999.2 million, respectively (see Note 25).

9. Investments in Associates

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
THNC	**₱2,147,110**	₱2,247,912
CBNC	**1,131,948**	1,292,677
	₱3,279,058	₱3,540,589

The movements in investments in associates follow:

	September 30, 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 (losses)	**(72,441)**	**(12,628)**	**(85,069)**	67,048	281,120	348,168
Dividends declared	**–**	**(104,818)**	**(104,818)**	–	–	–
	(376,696)	**110,035**	**(266,661)**	(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	**(28,361)**	**(43,283)**	**(71,644)**	97,785	142,504	240,289
	549,106	**297,503**	**846,609**	577,467	340,786	918,253
Balances at end of period	**₱2,147,110**	**₱1,131,948**	**₱3,279,058**	₱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 ₱130.6 million and ₱137.8 million as at September 30, 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 ₱19,090.1 million and ₱29,586.5 million, respectively, as at September 30, 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 ₱724.4 million and ₱126.3 million, respectively, for the nine months ended September 30, 2019, and net income of ₱2,124.5 million and ₱4,042.8 million, respectively, for the nine months ended September 30, 2018. The Parent Company's share in cumulative translation adjustment amounted to ₱715.9 million and ₱780.4 million as at September 30, 2019 and December 31, 2018, respectively, and its equity in associates amounted to ₱85.1 million loss and ₱616.7 million income for the nine months ended September 30, 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 September 30, 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 September 30, 2019 and December 31, 2018, and the cost of long-term stockpile inventory delivered to CBNC for the nine months ended September 30, 2019 and 2018 of nil and ₱263.6 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 September 30, 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 were used by EPI to settle promissory notes under the original SBC loan facility, which matured in 2018.

On July 19, 2019, SBC approved the renewal of EPI's ₱1,500.0 million loan facility for another year. EPI made drawdowns in August and September 2019 which were used to settle the promissory notes issued in 2018.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Loans payable	**₱1,500,000**	₱1,500,000
Less unamortized debt issue cost	**(10,382)**	(7,732)
Balances at end of period	**₱1,489,618**	₱1,492,268

Interest expense incurred in connection with the loans amounted to ₱90.0 million and ₱4.4 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 27).

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
TMC	**₱1,088,430**	₱1,150,188
Jobin	**237,130**	257,344
	1,325,560	1,407,532
Less noncurrent portion:		
TMC	**997,727**	1,058,172
Jobin	**230,390**	230,390
	1,228,117	1,288,562
Current portion	**₱97,443**	₱118,970

<u>TMC Loan</u>
On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to 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 September 30, 2019 and December 31, 2018, TMC is in compliance with the restrictions.

Interest expense for the nine months ended September 30, 2019 and 2018 which amounted to ₱39.0 million and ₱37.9 million, respectively, were included in equipment operating cost under "Cost of services" (see Notes 20 and 29).

As at September 30, 2019 and December 31, 2018, the carrying amount of long-term debt with THNC amounted to ₱1,088.4 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 September 30, 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:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Loans payable	**₱238,636**	₱259,091
Less unamortized debt issue cost	**(1,506)**	(1,747)
Balances at end of period	**₱237,130**	₱257,344

Interest expense for the nine months ended September 30, 2019 and 2018 amounted to ₱13.0 million and ₱10.5 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 nine months ended September 30, 2019 and 2018 amounted to nil and ₱50.7 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 nine months ended September 30, 2019 and 2018, accretion of interest on provision for mine rehabilitation and decommissioning amounted to ₱5.6 million and ₱6.8 million, respectively (see Note 27).

15. Equity

Capital Stock
The capital structure of the Parent Company follows:

	September 30, 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 - 13,670,230,117 shares as at September 30, 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 September 30, 2019 and December 31, 2018, a total of 32% or 4,334,204,388 common shares and 4,335,120,858 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of ninety-three (93) and eighty-four (84) shareholders, respectively, while the balance of 68% or a total of 9,336,025,729 common shares and 9,340,794,259 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

Dividends
Dividends declared and paid 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*					
	Regular	March 14, 2018	March 28, 2018	₱912,351	₱0.12	April 10, 2018
	Special	August 28, 2018	September 11, 2018	2,280,879	0.30	September 27, 2018
	Stock Dividends	August 28, 2018	October 23, 2018	3,041,171	80%	November 20, 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 September 30, 2019 and December 31, 2018, the Parent Company purchased from the market a total of 15,042,000 of its own common shares at an average price of ₱2.2143 per share or a total of ₱33.3 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 September 30, 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 nine months ended September 30, 2019 and 2018.

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

	Number of Options	
	September 30, 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:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balances at January 1	**₱240,003**	₱137,635
Stock option expense (see Note 24)	**98,885**	102,368
Balances at end of period	**₱338,888**	₱240,003

17. Earnings Per Share

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

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	**₱1,917,903**	₱3,366,883
b. Weighted average number of common shares for basic EPS (in thousands)	**13,672,404**	13,685,272
c. Weighted average number of common shares adjusted for the effect of dilution (in thousands)	**13,672,404**	13,685,272
Basic/Diluted EPS	**₱0.14**	₱0.25

18. Cost of Sale of Ore

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Production overhead	**₱2,476,732**	₱2,376,325
Outside services	**1,725,288**	1,507,622
Personnel costs (see Note 24)	**838,863**	792,906
Depreciation, amortization and depletion (see Note 25)	**636,394**	629,760
Long-term stockpile inventory sold (see Note 11)	–	263,578
	5,677,277	5,570,191
Net changes in beneficiated nickel ore and limestone	**(34,140)**	(284,306)
	₱5,643,137	₱5,285,885

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 Power Generation

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Depreciation and amortization (see Note 25)	**₱150,544**	₱130,766
Overhead	**118,334**	95,450
Materials and supplies	**17,166**	12,183
Personnel costs (see Note 24)	**16,360**	11,639
Outside services	**9,371**	7,345
	₱311,775	₱257,383

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

20. Cost of Services

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Personnel costs (see Note 24)	**₱84,459**	₱76,087
Depreciation (see Note 25)	**79,343**	74,522
Overhead	**59,617**	57,580
Equipment operating cost	**59,100**	60,758
Outside services	**6,861**	8,127
	₱289,380	₱277,074

Equipment operating cost includes interest expense amounting to ₱39.0 million and ₱37.9 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 13).

21. Shipping and Loading Costs

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Contract fees	**₱938,884**	₱1,018,919
Fuel, oil and lubricants	**218,879**	237,171
Depreciation and amortization (see Note 25)	**101,618**	108,682
Materials and supplies	**77,938**	76,158
Personnel costs (see Note 24)	**72,885**	65,242
Other services and fees	**53,446**	139,561
	₱1,463,650	₱1,645,733

22. Excise Taxes and Royalties

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Royalties	**₱862,196**	₱887,128
Excise taxes	**513,383**	556,043
	₱1,375,579	₱1,443,171

23. General and Administrative Expenses

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Personnel costs (see Note 24)	**₱337,169**	₱272,804
Taxes and licenses	**108,263**	96,546
Depreciation and amortization (see Note 25)	**47,977**	52,990
Outside services	**38,299**	39,350
Professional fees	**32,027**	40,421
Rentals	**31,749**	26,780
Publicity and promotions	**27,104**	11,910
Supplies	**25,575**	27,799
Transportation and travel	**24,369**	24,873
Entertainment, amusement and recreation	**13,608**	37,070
Dues and subscriptions	**13,542**	12,624
Repairs and maintenance	**8,536**	17,805
Communications, light and water	**8,349**	10,069
Donations	**4,102**	2,831
Others	**65,426**	68,490
	₱786,095	₱742,362

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

24. Personnel Costs

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Salaries, wages and employee benefits	**₱1,250,851**	₱1,214,910
Cost of share-based payment plan (see Note 16)	**98,885**	3,768
	₱1,349,736	₱1,218,678

The amounts of personnel costs are distributed as follows:

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Cost of :		
Sale of ore (see Note 18)	**₱838,863**	₱792,906
Services (see Note 20)	**84,459**	76,087
Power generation (see Note 19)	**16,360**	11,639
General and administrative (see Note 23)	**337,169**	272,804
Shipping and loading costs (see Note 21)	**72,885**	65,242
	₱1,349,736	₱1,218,678

25. Depreciation, Amortization and Depletion

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

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Cost of:		
Sale of ore (see Note 18)	**₱636,394**	₱629,760
Power generation (see Note 19)	**150,544**	130,766
Services (see Note 20)	**79,343**	74,522
Shipping and loading costs (see Note 21)	**101,618**	108,682
General and administrative (see Note 23)	**47,977**	52,990
Others	**4,900**	2,435
	₱1,020,776	₱999,155

26. Finance Income

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Interest income from:		
Cash and cash equivalents and others	**₱192,077**	₱126,132
Financial assets at (see Note 7):		
FVOCI	**78,589**	75,380
Amortized cost	**14,427**	25,426
FVTPL	**3,270**	3,444
Loans	**19,561**	18,796
Long-term negotiable instruments	**1,988**	1,621
	₱309,912	₱250,799

27. Finance Expenses

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Interest expense on:		
Short-term debts (see Note 13)	**₱90,020**	₱4,418
Pension	**15,494**	11,217
Long-term debts (see Note 13)	**12,971**	61,222
Long-term payable	**733**	866
Guarantee service fee (see Note 29)	**48,671**	49,161
Accretion of interest on provision for mine rehabilitation and decommissioning (see Note 14)	**5,554**	6,808
	₱173,443	₱133,692

28. Other Income (Charges) - Net

	For the nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Foreign exchange gains (losses) - net	**(₱104,851)**	₱646,974
Gain (loss) on:		
Changes in fair value of financial assets at FVTPL (see Note 7)	**80,347**	(113,583)
Sale of financial assets at FVOCI	**12,827**	(46,485)
Sale of property and equipment	**1,452**	37,802
Redemption of financial assets at amortized cost	**200**	2,353
Write-off of trade and other receivables	–	(7,363)
Rentals and accommodations	**89,811**	9,393
Other services	**57,259**	46,100
Dividend income (see Note 7)	**40,530**	33,898
Management fee	**(10,653)**	(14,417)
Provision for impairment losses on input value added tax	**(1,624)**	–
Issuance of fuel, oil and lubricants	**312**	368
Reversal of allowance for impairment losses on inventories	–	1,718
Others	**7,868**	1,705
	₱173,478	₱598,463

29. Related Party Transactions

Set out below are the Group's transactions with related parties for the nine-month period ended September 30, 2019 and 2018, including the corresponding assets and liabilities arising from the said transactions as at September 30, 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)			
	September 30, 2019	September 30, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	Terms	Conditions
Stockholders														
Pacific Metals Co., Ltd.														
Sale of ore	**₱1,426,286**	₱1,540,313	**₱247,226**	₱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	**5,365**	2,933	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	**–**	–	**–**	–	**–**	1,047	**–**	–	**–**	–	**–**	–	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends	**515,000**	515,000	**–**	–	**–**	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	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	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)			
	September 30, 2019	September 30, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	Terms	Conditions
Sumitomo Metal Mining Co., Ltd.														
Guarantee service fee (see Note 27)	**₱48,671**	₱49,161	**₱–**	₱–	**₱3,920**	₱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	**28,931**	23,921	**–**	–	**81**	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	**21,567**	20,916	**2,756**	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)			
	September 30, 2019	September 30, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	Terms	Conditions
Associates														
CBNC														
Sale of ore and limestone	**₱1,148,281**	₱1,521,851	**₱156,824**	₱155,768	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Materials handling	**174,745**	175,178	**90,621**	42,860	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**3,869**	11,697	**–**	21,840	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**97,944**	36,182	**53,179**	19,995	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
THNC														
Sale of ore	**1,629,435**	1,814,415	**45,309**	156,275	**–**	–	**–**	–	**–**	–	**–**	–	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**111,800**	108,714	**71,525**	37,153	**–**	–	**–**	–	**–**	–	**–**	–	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Materials handling	**178,279**	172,782	**13,575**	20,655	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,005**	6,825	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	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)			
	September 30, 2019	September 30, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	Terms	Conditions
THNC														
Rental deposit	**₱–**	₱–	**₱–**	₱–	**₱3,471**	₱3,352	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Collectible at the end of the lease term; noninterest-bearing	Unsecured; no guarantee
Loan facility	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,088,430**	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 20)	**38,961**	37,875	**–**	–	**20,711**	9,814	**–**	–	**–**	–	**–**	–	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Short-term advances	**–**	–	**–**	–	**–**	–	**3,506**	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)			
	September 30, 2019	September 30, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 2019**	December 31, 2018	**September 30, 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
			₱681,015	₱552,327	**₱28,183**	₱698,581	**₱4,191**	₱5,027	**₱5,425,849**	₱5,425,849	**₱1,088,430**	₱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 September 30, 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 nine months ended September 30, 2019 and 2018 amounted to about ₱204.7 million and ₱193.2 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 nine-month period ended September 30	
	2019	2018
	(Unaudited)	
Current	**₱1,228,400**	₱1,730,220
Deferred	**(63,712)**	44,475
	₱1,164,688	₱1,774,695

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 September 30, 2019 and December 31, 2018, the Group’s financial assets in debt and equity securities are classified under Level 1 and 3.

As at September 30, 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.

	September 30, 2019 (Unaudited)											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	₱1,573,624	₱3,099,292	₱5,639,629	₱2,522,025	₱–	₱223,664	₱30,598	₱496,628	₱–	₱–	₱–	₱13,585,460
Inter-segment revenues	–	–	–	–	–	–	–	–	776	476,218	(476,994)	–
Total revenues	1,573,624	3,099,292	5,639,629	2,522,025	–	223,664	30,598	496,628	776	476,218	(476,994)	13,585,460
Cost of sale of ore	760,897	1,238,888	2,316,416	1,326,936	–	–	–	–	–	–	–	5,643,137
Cost of power generation	–	–	–	–	–	226,583	85,192	–	–	–	–	311,775
Cost of services	–	–	–	–	–	–	–	289,380	–	–	–	289,380
Shipping and loading costs	208,011	483,348	615,201	149,956	–	–	–	–	7,134	–	–	1,463,650
Excise taxes and royalties	142,463	543,052	563,963	126,101	–	–	–	–	–	–	–	1,375,579
Marketing	10,131	107,976	16,237	–	–	–	–	–	–	–	–	134,344
Segment operating earnings (loss)	₱452,122	₱726,028	₱2,127,812	₱919,032	₱–	(₱2,919)	(₱54,594)	₱207,248	(₱6,358)	₱476,218	(₱476,994)	₱4,367,595
General and administrative	₱76,211	₱36,854	₱77,003	₱74,676	₱110,696	₱58,536	₱–	₱–	₱–	₱352,119	₱–	₱786,095
Finance income	₱1,894	₱25,505	₱45,353	₱31,755	₱28	₱133	₱2,592	₱–	₱–	₱202,652	₱–	₱309,912
Finance expenses	₱–	₱2,508	₱9,399	₱7,268	₱–	₱102,990	₱–	₱–	₱–	₱51,278	₱–	₱173,443
Provision for (benefit from) income tax	₱98,437	₱177,692	₱584,352	₱253,071	₱–	(₱631)	₱–	₱–	₱–	₱51,767	₱–	₱1,164,688
Net income (loss) attributable to equity holders of the parent	₱275,594	₱531,715	₱1,147,995	₱470,909	(₱110,805)	(₱135,894)	₱26,363	₱–	₱–	(₱287,974)	₱–	₱1,917,903
Segment assets	₱1,761,135	₱3,363,128	₱10,225,340	₱3,677,696	₱1,307,551	₱11,209,254	₱966,774	₱–	₱51,142	₱14,385,361	₱–	₱46,947,381
Deferred income tax assets	34,724	34,712	41,758	42,719	41,625	–	–	–	–	–	–	195,538
Total assets	₱1,795,859	₱3,397,840	₱10,267,098	₱3,720,415	₱1,349,176	₱11,209,254	₱966,774	₱–	₱51,142	₱14,385,361	₱–	₱47,142,919
Segment liabilities	₱362,436	₱662,673	₱2,525,840	₱542,824	₱82,082	₱7,300,596	₱8,446	₱–	₱–	₱345,368	₱–	₱11,830,265
Deferred income tax liabilities - net	–	–	–	118,597	164,105	113,189	–	–	15,421	139,670	–	550,982
Total liabilities	₱362,436	₱662,673	₱2,525,840	₱661,421	₱246,187	₱7,413,785	₱8,446	₱–	₱15,421	₱485,038	₱–	₱12,381,247
Capital expenditures	₱95,395	₱195,743	₱357,834	₱84,042	₱67,053	₱87,688	₱2,856	₱–	₱–	₱14,499	₱–	₱905,110
Depreciation, amortization and depletion	₱130,107	₱135,552	₱437,695	₱121,084	₱26,585	₱113,043	₱41,837	₱–	₱7,134	₱7,739	₱–	₱1,020,776

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 power generation	–	–	–	–	–	299,399	61,223	–	–	–	–	360,622
Cost of services	–	–	–	–	–	–	–	369,175	716	–	–	369,891
Shipping and loading costs	402,514	437,154	792,766	307,542	–	–	–	–	9,513	–	–	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)	₱563,250	₱1,052,288	₱3,741,087	₱1,729,767	₱–	(₱59,465)	(₱22,750)	₱258,530	(₱8,692)	₱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	₱108,616	₱273,625	₱1,075,478	₱504,516	(₱19,091)	₱948	₱–	₱–	₱–	₱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	₱216,659	₱175,878	₱568,202	₱149,981	₱24,609	₱157,610	₱30,858	₱–	₱9,513	₱19,295	₱–	₱1,352,605

	September 30, 2018 (Unaudited)											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	₱1,732,230	₱2,847,290	₱6,008,818	₱3,312,736	₱–	₱177,864	₱21,743	₱479,665	₱–	₱–	₱–	₱14,580,346
Inter-segment revenues	–	–	–	–	–	–	–	–	1,537	506,860	(508,397)	–
Total revenues	1,732,230	2,847,290	6,008,818	3,312,736	–	177,864	21,743	479,665	1,537	506,860	(508,397)	14,580,346
Cost of sale of ore	755,100	969,265	1,905,700	1,655,820	–	–	–	–	–	–	–	5,285,885
Cost of power generation	–	–	–	–	–	224,970	32,413	–	–	–	–	257,383
Cost of services	–	–	–	–	–	–	–	277,074	–	–	–	277,074
Shipping and loading costs	340,755	408,627	665,564	223,653	–	–	–	–	7,134	–	–	1,645,733
Excise taxes and royalties	155,901	520,751	600,882	165,637	–	–	–	–	–	–	–	1,443,171
Marketing	8,407	99,655	12,923	–	–	–	–	–	–	–	–	120,985
Segment operating earnings (loss)	₱472,067	₱848,992	₱2,823,749	₱1,267,626	₱–	(₱47,106)	(₱145,451)	₱202,591	(₱5,597)	₱506,860	(₱508,397)	₱5,550,115
General and administrative	₱66,254	₱33,764	₱112,777	₱74,754	₱85,917	₱99,274	₱7,539	₱–	₱–	₱262,083	₱–	₱742,362
Finance income	₱2,034	₱20,167	₱24,837	₱24,358	₱24	₱93	₱492	₱–	₱–	₱178,794	₱–	₱250,799
Finance expenses	₱–	₱2,092	₱9,451	₱4,004	₱–	₱65,503	₱7,363	₱–	₱–	₱45,279	₱–	₱133,692
Provision for (benefit from) income tax	₱104,948	₱229,080	₱834,402	₱377,352	₱–	(₱463)	₱–	₱–	(₱2,140)	₱231,516	₱–	₱1,774,695
Net income (loss) attributable to equity holders of the parent	₱320,582	₱625,204	₱1,453,107	₱677,379	(₱85,873)	(₱180,028)	(₱38,899)	₱–	₱–	₱595,411	₱–	₱3,366,883
Segment assets	₱1,842,943	₱2,962,523	₱10,510,508	₱4,193,400	₱1,246,153	₱11,260,298	₱899,169	₱–	₱44,503	₱14,445,210	₱–	₱47,404,707
Deferred income tax assets	39,083	25,987	8,463	29,699	22,534	–	–	–	–	–	–	125,766
Total assets	₱1,882,026	₱2,988,510	₱10,518,971	₱4,223,099	₱1,268,687	₱11,260,298	₱899,169	₱–	₱44,503	₱14,445,210	₱–	₱47,530,473
Segment liabilities	₱473,941	₱810,952	₱2,751,963	₱632,094	₱140,755	₱7,230,982	₱3,488	₱–	₱–	₱435,943	₱–	₱12,480,118
Deferred income tax liabilities - net	–	–	–	105,423	164,105	112,364	–	–	18,274	267,100	–	667,266
Total liabilities	₱473,941	₱810,952	₱2,751,963	₱737,517	₱304,860	₱7,343,346	₱3,488	₱–	₱18,274	₱703,043	₱–	₱13,147,384
Capital expenditures	₱121,295	₱209,922	₱321,170	₱179,486	₱43,928	₱7,228	₱5,305	₱–	₱–	₱31,055	₱–	₱919,389
Depreciation, amortization and depletion	₱164,450	₱130,920	₱423,209	₱99,983	₱18,164	₱121,659	₱16,760	₱–	₱7,134	₱16,876	₱–	₱999,155

The Group has revenues from external customers as follows:

	For the nine-month period ended September 30	
	2019	2018
Country of Domicile	(Unaudited)	
China	**₱8,555,688**	₱8,894,711
Local	**3,603,486**	4,145,321
Japan	**1,426,286**	1,540,314
	₱13,585,460	₱14,580,346

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

Revenue arising from two key customers for the sale of ores amounted to ₱7,501.9 million and ₱8,645.9 million for the nine months ended September 30, 2019 and 2018, respectively.