COVER SHEET

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SEC Registration Number

NICKEL ASIA CORPORATION

(Company's Full Name)

NAC Tower 32nd Street, Bonifacio Global City, Taguig

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

Emmanuel L. Samson

(Contact Person)

(632) 892-6669

(Company Telephone Number)

1	2		3	1

Month *Day*

(Fiscal Year)

1	7	-	A	

(Form Type)

0	6	1st Friday

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

45

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number CS200811530
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

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

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

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

SEC FORM 17-A Annual Report
Form Type

____
Amendment Delegation (If applicable)

December 31, 2013
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **DECEMBER 31, 2013**
2. SEC Identification Number: **CS200811530**
3. BIR Tax Identification No.: **007-085-191-000**
4. Exact name of issuer as specified in its charter **NICKEL ASIA CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of principal office — Postal Code
   NAC Tower 32nd Street, — **1634**
   Bonifacio Global City, Taguig
8. Issuer's telephone number, including area code**: +63 2 892 6669 / +63 2 892 4177**
9. Former name, former address, and former fiscal year, if changed since last report.
   NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**2,519,159,345 Shares**
Long-term Debt	**PhP 1,538.6 Million**

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

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

12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
    Yes [**X**] No [ ]
    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

    As of December 31, 2013, 597,368,576 shares with a market price of ₱15.20 or an aggregate amount of ₱9,080,002,355 were held by non-affiliates.

NICKEL ASIA CORP.

April 14, 2014

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

Attn: JANET A. ENCARNACION
Head – Disclosure Department

RE: SEC Form 17-A Annual Report
x ======================== x

Dear Madam:

We submit to you herewith a copy of our Company's SEC Form 17-A Annual Report for the year ended December 31, 2013.

In 2013, the Group adopted the revised Philippine Accounting Standards 19, *Employee Benefits.* The changes in the accounting policies which have a significant impact in the Group's financial statements pertain to:

1) recognition of all actuarial gains and losses in other comprehensive income; and
2) recognition of all past service costs in the consolidated statement of income in the period they occur.

The changes in the accounting policies have been applied retrospectively.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP – Chief Financial Officer

NICKEL ASIA CORP.

NICKEL ASIA CORPORATION
17-A ANNUAL REPORT 2013

TABLE OF CONTENTS

TABLE OF CONTENTS

Page No.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Corporate Profile

Nickel Asia Corporation ("the Company, Parent Company, NAC") was incorporated on July 24, 2008 with the Philippine Securities and Exchange Commission ("SEC") and was listed with the Philippine Stock Exchange ("PSE") on November 22, 2010.

The Company operates four lateritic nickel mines, all of which are located in the southern half of the Philippines.

Rio Tuba Nickel Mining Corporation ("RTN") was incorporated in 1969 to develop the nickel ore deposits discovered at the Rio Tuba mine site in 1967. It was granted rights over the Rio Tuba property in 1970 and commenced mining in 1975. RTN made its first commercial shipment in 1977.

Hinatuan Mining Corporation ("HMC") was incorporated in 1979 and was granted rights over the Taganaan property in 1980. Development of the property commenced in 1981 and the first commercial shipment from the Taganaan mine was made in 1982. The size of the property was expanded in 1983 with the acquisition of additional claims on adjacent properties. HMC temporarily suspended operations at the Taganaan mine from April 2001 to January 2006 due to depletion of high-grade saprolite ore reserves.

Taganito Mining Corporation ("TMC") was incorporated and acquired the Taganito property from HMC in 1987. The first commercial shipment from the Taganito mine was made in 1989.

Cagdianao Mining Corporation ("CMC") was incorporated in 1997 and acquired the right to operate the Cagdianao mine in 1998.

Corporate Objective
We are focused on growth. At the same time, we take our responsibilities toward safety, environmental protection and community relations and development seriously. We believe that sustainable development is the only way forward for any mining operation and we exert great effort to achieve its principles. We are committed to responsible mining and to running every facet of our operations in a world-class manner.

Mission Statement
Using best global industry practices, we are committed in:

- Optimizing our current operations;
- Exploring and developing additional deposits for nickel and other minerals to sustain our growth;
- Delivering to our customers quality mineral products in a timely manner;
- Nurturing our employees and providing a safe and healthy workplace for them to achieve their full potential;
- Uplifting the quality of life of our host communities;
- Protecting the environment in all our operations; and
- Adopting the highest standards of corporate governance.

Vision
To be a world-class diversified mineral resource company that has exemplary relationships with all stakeholders.

B. Business Overview

<u>Principal Products and Services</u>
We are one of the largest global suppliers of lateritic nickel ore, and the largest nickel mining company in the Philippines, where we accounted to have sold a total of about 95 million tonnes of ore up to 2013. At

each of our mines at our Rio Tuba, Taganito, Cagdianao and Taganaan sites, we are able to employ a low-cost open pit mining method, without the need for explosives, chemicals or complex waste handling, to extract two types of nickel ore: limonite ore, which occurs at the upper layer of the deposit and generally consists of lower nickel and higher iron content; and saprolite ore, which is generally found beneath the limonite layer and typically consists of higher nickel and lower iron content. Since we began commercial operations in 1977 through 2013, we have delivered over 95 million WMT of saprolite ore and limonite ore to our customers. As of December 31, 2013, our mines had proved and probable saprolite ore reserves of 119.6 million wet metric tonnes ("WMT") with an average grade of 1.50% nickel, and proved and probable limonite ore reserves (including stockpiles) of 249.7 million WMT with an average grade of 1.10% nickel, in each case as estimated in accordance with the Philippine Mineral Reporting Code ("PMRC").

We supply different grades of saprolite ore and limonite ore to multiple customers, which use the ore to produce intermediate products, mainly for the manufacture of stainless steel and for the production of nickel cathodes. Our margins on sales of nickel ore vary depending on the type and grade of nickel ore that we sell, with high-grade saprolite ore providing higher margins than low-grade saprolite ore and limonite ore.

We sell our nickel ore to the following customers:

- *Pacific Metals Co. Ltd. ("PAMCO").* We sell all of our high-grade saprolite ore and a portion of our low-grade saprolite ore to PAMCO under long-term supply agreements. PAMCO is the largest ferronickel producer in Japan. We have been selling saprolite ore to PAMCO since 1977.

- *Sumitomo Metal Mining Co., Ltd. ("SMM").* SMM is a Japan-based refiner of copper, gold, nickel, and zinc. We sell saprolite ore to SMM under long-term supply agreements. We have been selling saprolite ore to SMM since 2010.

- *Chinese customers.* We sell a portion of our low-grade saprolite and both high- and low-grade limonite ore to Chinese customers, primarily DH Kingstone, a major Chinese trading company; and Baosteel Resources, a leading Chinese steel producing company. Our Chinese customers use our ore for the production of nickel pig iron ("NPI"), which is a substitute for traditional ferronickel products used in the production of stainless steel.

- *Coral Bay Nickel Corporation ("CBNC").* We sell low-grade limonite ore from our Rio Tuba mine to the adjacent Coral Bay HPAL facility under a long-term supply agreement. The facility is owned by CBNC, which is a subsidiary of SMM. We have a 6% effective equity interest in CBNC.

- *Taganito HPAL Nickel Corporation ("THNC").* We sell low-grade limonite ore from our Taganito mine to the adjacent Taganito HPAL facility under a long-term supply agreement. The facility is owned by THNC, which is a subsidiary of SMM. We have a 22.5% equity interest in THNC.

Prior to 2005, the Company focused primarily on sales of high-grade saprolite ore and stockpiled much of the limonite ore that we removed as overburden to access the saprolite ore. However, since the commencement of NPI production in China and the completion of the Coral Bay HPAL facility in 2005, we have developed a second major revenue stream through our sales of limonite ore to Chinese customers, CBNC and THNC. In June 2009, the Coral Bay HPAL facility's design capacity was doubled to 20,000 tonnes of contained nickel per year, further increasing our limonite ore sales to CBNC. To further expand the Company's sales of limonite ore and increase our exposure to downstream nickel processing, we have partnered with SMM and Mitsui and Co., Ltd. ("Mitsui") and have commenced construction of Taganito HPAL facility adjacent to our Taganito mine. The Taganito HPAL facility has an annual capacity of 30,000 tons of contained nickel over an estimated 30-year Project life.

Additionally, the Company also generates revenue from the sale of limestone and providing contractual services to CBNC and THNC.

The following table summarizes percentages of our revenues by year and region for the past three fiscal years:

	Japan			China			Philippines (CBNC and THPAL)			Total		
Year	Saprolite	Limonite	Total	Saprolite	Limonite	Total	Saprolite	Limonite	Total	Saprolite	Limonite	Total
2013	14%	-	14%	17%	55%	72%	-	14%	14%	31%	69%	100%
2012	22%	-	22%	26%	40%	66%	-	12%	12%	48%	52%	100%
2011	20%	-	20%	44%	20%	64%	-	16%	16%	64%	36%	100%

Competition

We compete with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers (primarily from Indonesia) in world nickel ore markets. Domestic competitors are CTP Construction & Mining, Toledo Mining, and Platinum Group Metals Corp, while foreign competitors mainly include PT Aneka Tambang.

Geographic area in which we compete

Primary nickel supply in 2013 is estimated at around 1,800 Thousand ton, which is 13% increase on year-on-year basis. We estimate 60% of refined nickel comes from Oxidized nickel ore and 40% from Sulfide nickel ore.

The Oxidized nickel ore is named as laterite nickel ore and mainly produced in the Philippines, Indonesia, Australia, New Caledonia and South America through the open-pit mining method. It is estimated that nickel production in the Philippines account for 21% of global laterite nickel ore production and account for 13% of global nickel production in terms of Ni contain basis.

Nickel Ore Trade

Nickel ore in the country is mainly exported to China and Japan. Ni consumption in China is estimated at 930 thousand tonnes in 2013, which account for 51% of global nickel consumption and Japan accounts for 7%, accordingly.

Chinese Ni production in 2013 is estimated at 680 thousand tonnes in Ni contain basis, of which 450 thousand tonnes comes from NPI, which is a 36% increase year-on-year. Accordingly, Chinese Ni ore importation jumped from 64 million WMT in 2012 to 90 million wet metric tonnes in 2013 as per our research.

The Philippines accounts for 44% of nickel ore imports into China and the balance mainly from Indonesia.

The growth of NPI is a key driver for our Ni ore supply, however, carbon steel mills in China is utilizing laterite nickel ore which contains below 1% Ni and 48-50% Fe as iron ore substitute. It is difficult to estimate the amount of nickel ore consumption in carbon steel mills in China, however, we believe at least 25 million wet metric tonnes of laterite ore was used as iron ore substitute.

Outlook For Nickel

Estimated global nickel supply in 2013 was at 1.96 million tonnes while consumption was at 1.82 million tonnes, resulting to 140 thousand tonnes of oversupply. The global Ni consumption increased by 8.6% year-on-year basis due to the contribution of growth in China.

Around 60% of nickel supply is consumed by stainless steel. Therefore, the growth in stainless steel production is a key factor to the outlook for nickel. Global stainless steel production in 2013 is estimated at 37.3 million ton, which is a 5.4% increase on a year-on-year basis. Despite a sluggish global economy in 2013, growth was largely driven by China. Stainless steel production in China was recorded at 16.1 million tonnes in 2012 and 18.2 million tonnes in 2013.

Currently, there are indications of a recovery in the US economy. We also expect the new leadership in China to come out with economic policies to stimulate growth. This scenario would result to further growth in global stainless steel and stronger demand for nickel.

Price
The London Metal Exchange ("LME") nickel cash price reached $23.67/pound ($52,197/tonne) in May 2007, which is historically the highest the price had ever reached. However, by December 2007 the price had dropped to an average of $11.79/pound ($25,992/tonne) and peaked again in March 2008, at an average of $14.16/pound ($31,225/tonne).

With the onset of the global financial downturn in mid-2008, the LME nickel cash price slid back to $4.40/pound ($9,696/tonne) by December 2008. While prices sporadically rallied for most of 2009, the yearly average cash price for 2009 was more than 60% lower than that of 2007.

In 2010 and 2011, as market fundamentals have started to improve, sentiment has become gradually more upbeat and funds and speculators have once again entered the market looking to buy nickel on the back of a more optimistic outlook for the metal. The involvement of investors in the market can cause additional volatility, as they often buy up large volumes of inventory when prices are expected to rise. The combination of these factors drove the LME cash price higher and, as a result, ending 2010 and 2011 at an average price of $9.89/pound ($21,800/tonne) and $10.35/pound ($22,813/tonne), respectively.

In 2012, an oversupply of nickel ensued, due mainly to the additional supply coming from new nickel projects and the rapid growth in Chinese NPI production volume. As a result, the LME cash price in 2012 fell to an average of $7.95/pound ($17,523/tonne). In 2013, the average LME cash price is $6.80/pound ($15,000/tonne).

Key Strengths of the Company
Profitability underpinned by low cost production—The foundation of our business is our ability to operate profitably through the commodity price cycle because of our low costs. We rank favorably in terms of mining costs when compared to other nickel mining companies. There are a number of factors that account for our low cost position:

- We benefit from favorable geologic conditions at all of our four mines. Our lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally five (5) to thirty (30) meters thick, enabling us to conduct simple open-pit mining using trucks and loaders without blasting, the use of chemicals or complex waste handling.

- Historically, there was generally no market for our limonite ore, which needs to first be extracted in order to mine the more valuable saprolite ore. There was also no market for lower grades of saprolite ore. Limonite ore was then regarded as overburden and placed in stockpiles, while we undertook selective mining of high-grade saprolite ore, leading to relatively high mining costs. Since 2005, we have found customers for our limonite ore with the development of the China NPI market and the commissioning of the Coral Bay HPAL facility. In 2008, we have also experienced increasing demand from our customers for our low-grade saprolite ore and in 2010, we saw an emerging demand for the use of low-nickel, high iron limonite ore for blending with iron ore in the production of carbon steel. Our ability to sell limonite ore rather than place it in stockpiles as waste, and our ability to sell lower grades of saprolite ore allows us to mine in a more efficient manner and reduces the unit cost per wet metric tonnes of nickel ore that we mine, thus improving our profitability. The commencement of commercial operations of the Taganito HPAL facility in 2013 will add an additional outlet for our limonite ore.

- On average, the nickel deposits at our four operating mines are located within three to seven kilometers from the applicable tidewater loading area, enabling easy hauling and transportation by barges and landing craft transport ("LCTs") to our customers' ships. We own nine LCTs and five barges and lease LCTs as needed. The short hauling distance from our mining operations to our loading facilities substantially contributes to our favorable cost position.

- Because our lateritic nickel deposits are near surface and relatively shallow, the rehabilitation of our mining areas is a straightforward process. The process generally involves re-contouring of the mined areas, replacing the overburden and planting foliage. We undertake progressive rehabilitation of our mined areas in order to spread costs, and the nature of our deposits results in a relatively manageable level of rehabilitation costs.

Sources and Availability of Raw Materials and Supplies
The main supplies that we require to operate our business include diesel fuel, tires and spare parts for our mining equipment. We buy diesel and aviation fuel and lubricants from Petron Corporation and heavy mining equipment, such as trucks and excavators, from four manufacturers, Volvo, Isuzu, Caterpillar and Komatsu, through their Philippine distributors. In addition, we lease LCTs for use at our mine sites during the shipping season. We believe that there are a number of alternative suppliers for all of our requirements.

Our existing supply contract with Petron Corporation provides that they will supply the entire actual requirement of the operating companies of the group for diesel and lubricants of highest quality and based on the typical properties agreed in the contract.

Related Party Transactions
All sales to, and purchases from, related parties are made at prevailing market prices. Outstanding yearend balances pertain to the extension and receipt of, and advances to and from, related parties. For further information, such as outstanding related party balances, see note 31 in our audited consolidated financial statements. These balances are unsecured, short-term and interest-free, and settlement occurs in cash.

Nickel Ore Supply Agreements with PAMCO - We are a party to nickel ore supply agreements with PAMCO. PAMCO has a 0.16% ownership interest in the Company and also owns 36% of our subsidiary, RTN, and 33.5% of our subsidiary, TMC.

Nickel Ore Supply Agreement with SMM –We are a party to nickel ore supply agreements with SMM. SMM has a 24.01% ownership interest in the Company, through Sumitomo Metal Mining Philippine Holdings Corporation.

Nickel Ore Supply Agreement with CBNC - We are a party to a nickel ore supply agreement with CBNC. We have an effective 6% equity interest in CBNC.

Nickel Ore Supply Agreement with THNC - We are a party to a nickel ore supply agreement with THNC. We have a 22.5% equity interest in THNC.

Service Agreements with CBNC - RTN has entered into various service agreements with CBNC pertaining to tailings dam construction and materials handling, among other things.

Materials Handling Agreement with THNC - TMC has entered into service contract with THNC related to handling, hauling and transport of cargo.

Funding Commitment with SMM – RTN's long-term debt were incurred to complete infrastructure projects to support the development of the Coral Bay HPAL facility. These projects included the causeway, trestles and dolphins and other pier facilities in the Rio Tuba foreshore and offshore areas.

Funding Commitment with THNC - TMC as owner/developer of Taganito Special Economic Zone incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jettybollard and other pier facilities in the Taganito foreshore and offshore areas.

CBNC Stockholder Agreement - On July 1, 2002, RTN, along with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC's loans obligation in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC.

Taganito HPAL Stockholders' Agreement - On September 15, 2010, NAC, SMM and Mitsui executed the Taganito HPAL Nickel Stockholders Agreement, pursuant to which the parties formed a joint venture company, Taganito HPAL Nickel, to build and operate a plant in Barangay Taganito, Claver, Surigao del Norte for the purpose of producing and selling nickel-cobalt mixed sulfide to be used for the production of electrolytic nickel and electrolytic cobalt.

Pursuant to the Taganito HPAL Nickel Stockholders Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations. The Taganito HPAL Nickel Stockholders Agreement shall terminate upon the dissolution of THNC.

RTN and SMM Loan Guarantee/Substitution Agreement –RTN, along with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC's loans obligation in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC. In consideration of the loans and guarantee made by SMM, RTN will pay to SMM an annual fee equal to one percent (1%) of the relevant outstanding amount which is payable every February 21 and August 20 of each year.

The Company and SMM Loan Guarantee/Substitution Agreement – SMM agreed to substitute for the Company to make loans or guarantee the repayment of THNC obligations pursuant to the Stockholders Agreement dated September 15, 2010. In consideration of the loans and guarantee made by SMM, NAC shall pay to SMM an annual fee equal to one percent (1%) of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

<u>*Royalties*</u>

- *Government royalties*. Because the Taganito, Cagdianao and Taganaan mines are located within the Surigao Mineral Reservation, we are obliged to pay the Philippine government a royalty of 5% of our gross revenue from sales of ore from each mine.

- *Excise tax*. An excise tax of 2% of gross revenue on all export sales is payable to the Philippine government. Our sales to the Coral Bay HPAL facility constitute export sales.

- *Claim owner royalties*. We operate the Cagdianao mine under an operating agreement with East Coast Mineral Resources Co., Inc. ("East Coast") the claim owner. Under the agreement, we have the right to operate the mine, subject to the payment of a royalty to the claim owner, which is 8.75% (or 7% net of withholding taxes) of gross revenue. In July 2013, CMC and East Coast agreed to reduce for one-year period the royalty fees to 6.25% (or 5% net of withholding taxes).

- *Royalties to indigenous groups*. Because our Taganito mine is located on an indigenous cultural community's ancestral land, we are required to pay the indigenous community a royalty equal to 1% of gross sales from the Taganito mine.

<u>*Government Regulations and Approval*</u>

TMC's application for Mineral Production Sharing Agreement ("MPSA") denominated as APSA No. 73-XIII for its La Salle Exploration project is pending reconsideration. Moreover, TMC submitted all the requirements for the renewal of the Exploration Period for MPSA No. 247-2007-XIII-SMR for its Ludgoron Exploration project, and is now pending approval. On the other hand, the application for Renewal of the Exploration Permit of MPSA No. 284-2009-XIII-SMR covering the Kepha Exploration Project has been granted.

RTN's application for MPSA denominated as AMA IVB-144A and AMA IVB-144B for its Bulanjao project is pending approval before the Department of Environment and Natural Resources ("DENR")-Mines and Geosciences Bureau ("MGB"); the only thing necessary before RTN receives the MPSA over the property is a final endorsement from the Palawan Council for Sustainable Development ("PCSD").

A Deed of Assignment was executed by HMC for the transfer of MPSA 012-92-VIII to Samar Nickel Mining Resources Corp. ("SNMRC") which was submitted to the MGB VIII Regional Office on September 2010 and was endorsed by the same to the MGB Central Office for further evaluation and final approval.

Exploration and Development
Nickel Resources
We have an extensive portfolio of exploration properties and an exploration program encompassing both brownfield exploration, which consists of work at our existing operations to extend resources and to upgrade resources to reserves; and greenfield exploration, which involves exploring and delineating nickel lateritic deposits in our existing properties. We own more than one hundred (100) drilling units that have been designed specifically for drilling near surface lateritic deposits in a quick and economical manner. We also have an experienced pool of geologists and laboratories at each of our mine sites to conduct assaying of samples as required.

The following table sets forth a summary description of our exploration properties.

Mine	Location	Ownership	MPSA/Operating Agreement
Bulanjao	Palawan island	RTN	Mining lease contract that covers 3,604.5 hectares
Manicani	Island of Manicani	HMC	MPSA covers 1,165 hectares and expires in 2017
Kepha	Surigao del Norte	TMC	Operating agreement covers 6,980.75 hectares and expires in 2032
La Salle	Surigao del Norte	TMC	Operating agreement covers 6,824 hectares and expires in 2034. However, the MPSA area applied for has been reduced to 2,234.958 hectares
Ludgoron	Province Surigao del Norte and Surigao del Sur	TMC	Operating agreement that covers 3,248.06 hectares and expires in 2032
Boa	Province of Dinagat Islands	CMC	Memorandum of Agreement ("MOA") that covers 226.0235 hectares and expires in October 12, 2014

Description of our Exploration Projects

Bulanjao—The Bulanjao property is held by RTN. It has a total area of 3,604.5 hectares and is situated immediately west of RTN's mining operations. Our rights to the property are governed by a mining lease contract. The conversion of the mining lease contract to an MPSA has been delayed.. Recently, the Municipality of Bataraza, where the Bulanjao property is located, has reclassified the mineralized area as "Mineral Development Zone" open to mining. A final endorsement from the PCSD is necessary before RTN can receive the MPSA on the property.

The Bulanjao deposit trends northwards to an area named Central Bulanjao, situated more than a kilometer from Southern Bulanjao. We have conducted step-out drilling throughout the length of the Central Bulanjao deposit and calculate measured and indicated resources of 7.5 million WMT of saprolite ore with an average grade of 1.88% nickel and 19.2 million WMT of limonite ore with an average grade of 1.01% nickel. Further drilling will be undertaken on the property once the MPSA is issued.

It is our intention to recommence drilling on Southern Bulanjao and Central Bulanjao as soon as we enter into an MPSA with respect to the properties.

Manicani—The Manicani property is held by our subsidiary HMC. It has a total area of 1,165 hectares and is situated in Eastern Samar. Our rights to the property are governed by an MPSA that was entered into by

HMC in 1992 and which was subsequently assigned to SNMRC. The application for the Deed of Assignment from HMC to SNMRC was endorsed to the MGB Central Office for further evaluation and final approval.

We conducted mining at the Manicani site between 1992 and 1994 and extracted and sold a total of 63,176 WMT of saprolite ore with an average grade of 2.45% nickel from the site. We suspended mining at the site in December 1994 because low prevailing nickel prices made mining the site uneconomical. We made shipments from stockpiles in 2001 and 2004. In 2004 a regional Panel of Arbitrators rendered a decision recommending the cancellation of the MPSA on the grounds that we had violated certain applicable environmental regulations. We disputed such allegations and our MPSA was upheld by the Mines Adjudication Board of the DENR in September 2009.

To date, there is work to be done before mining operations can be resumed. Currently, we are processing the approval to extend the exploration period under the MPSA. In connection with that, we have received the necessary endorsement from the host community in the form of resolutions issued by the four (4) barangays comprising Manicani Island and likewise from the Municipality of Guiuan. These endorsements, along with various presentations to be made to the MGB of Region VIII and to the community, shall be part of our compliance with the government regulations pertinent to the approval of the extension of the exploration period.

Once the exploration period has been extended, we shall begin our confirmatory drilling activities subsequently. We will commence mining once the suspension order is lifted.

Kepha—The Kepha property is held by TMC. The property has a total area of 6,980.75 hectares and is situated in the province of Surigao del Norte, immediately southwest of our Taganito mine's northern boundary. Our rights to the property are governed by an operating agreement that we entered into in February 2007 with Kepha Mining Exploration Corp. ("KMEC"). KMEC entered into an MPSA in June 2009, giving it the right to explore, develop and mine the property for an initial period of twenty five (25) years.

Under the terms of our operating agreement, TMC has the right to explore, develop and operate the property during the period of the MPSA in return for the payment of a royalty of 5% of gross revenues of all metallic minerals sold from the property.

The application for renewal of the Exploration Permit for the Kepha Property has been granted. We intend to conduct follow-up exploration work and commence drilling in early 2013.

Ludgoron—The Ludgoron property is held by TMC. The property has a total area of 3,248.06 hectares and is situated in the province Surigao del Norte and Surigao del Sur. It shares a common boundary with the Kepha property on the northwest of the property. Our rights to the property are governed by an operating agreement that we entered into in August 2007 with Ludgoron Mining Corp. ("LMC"). LMC entered into an MPSA in July 2007, giving it the right to explore, develop and mine the property for an initial period of 25 years.

Under the terms of the operating agreement, TMC has the right to explore, develop and operate the property during the period of the MPSA in return for the payment of a royalty of 5% on gross revenues attributable to the property.

We have conducted geological reconnaissance on the property in 2008 and drilled 92 holes with an aggregate length of 1,071 meters in the identified lateritic zones.

La Salle—The La Salle property is held by TMC. The property previously had a total area of 2,234 hectares but the application had been reduced to 2,234 hectares and is situated in the province of Surigao del Norte. It shares a common boundary with the Kepha property on the southwest side of the property. Our rights to the property are governed by an operating agreement that we entered into with La Salle Mining Exploration Company ("LSMEC") in December 2006. LSMEC's application for an MPSA is pending and TMC is responsible for completing the requirements for approval of the MPSA.

Under the terms of the operating agreement, TMC will have the right to explore, develop and operate the property once the MPSA is approved, in return for the payment of a royalty of 5% on gross revenues of all metallic minerals sold from the property and ₱10.00 per metric ton of limestone extracted and sold from the property.

We have identified a nickel lateritic deposit on the southwestern portion of the property near the boundary with the Kepha property and intend to conduct further exploration work on this deposit.

Boa—The Boa area is covered by a separate MPSA and is contiguous to the Valencia mining tenement. 167 drill holes were intended to be drilled by the third quarter of 2012, but due to the delayed issuance of the tenement's permit for extension of exploration period, there were still no exploration activities done in the area.

Gold and Copper Resources
The Philippines is located in a very complex tectonic and geological terrain. It is bounded on the west by the east-dipping Manila Trench and on the east by the west-dipping Philippine Trench. Because of the interaction of both these geological features, a resulting northwest-trending Philippine fault, with its numerous major and associated branches, has rendered a distinct archipelagic character to the ground. On a more global scale, the Philippines lie within the "Pacific Rim of Fire", also known as the circum-Pacific belt, an area with a nearly continuous series of oceanic trenches, volcanic arcs and/or plate movements.

But while the Philippine inhabitants have to suffer the devastating effects of earthquakes and volcanic eruptions, these same geological processes have provided the favorable geological settings for the deposition and/or emplacement of rich gold, copper, chromite, nickel and other mineral deposits. The Philippines has long been acknowledged as one of the most richly endowed in mineral resources. This claim is validated by the country's long mining history which can be traced back to the 15th Century. In the 50's to 70's, particularly, the Philippines maintained its position as one of the world's top ten producers in gold, copper, chromite and nickel.

Given this potential, our local knowledge, and the experience of a number of our engineers and managers previously employed in gold and copper mining firms, a strategic decision was made to diversify into these metals as the opportunities arise. Based on this strategy, we entered into an agreement on August 2010 to purchase 100% of the outstanding shares of Cordillera Exploration Company Inc. ("CEXCI") from Anglo American Exploration (Philippines), Inc. ("AAEPI"), a subsidiary of Anglo American Plc. The sale pushed through on November 15, 2010.

In May 2011, we entered into a "Participation and Shareholders' Agreement" with SMM outlining the terms of SMM's equity participation in CEXCI. In November 2011, based on the terms of the said Agreement, SMM invested $1.5 million in CEXCI in return for a 25% equity. SMM has the option to invest $2.8 million for an additional 15% equity, which would bring its total equity in CEXCI to 40%.

CEXCI has an approved exploration permit over the Manmanok Property in Apayao Province, an exploration permit application over the Kutop Property in the province of Abra, and an application for a financial and technical agreement over the Mankayan Property within the adjoining provinces of Benguet, Ilocos Sur and the Mountain Province.

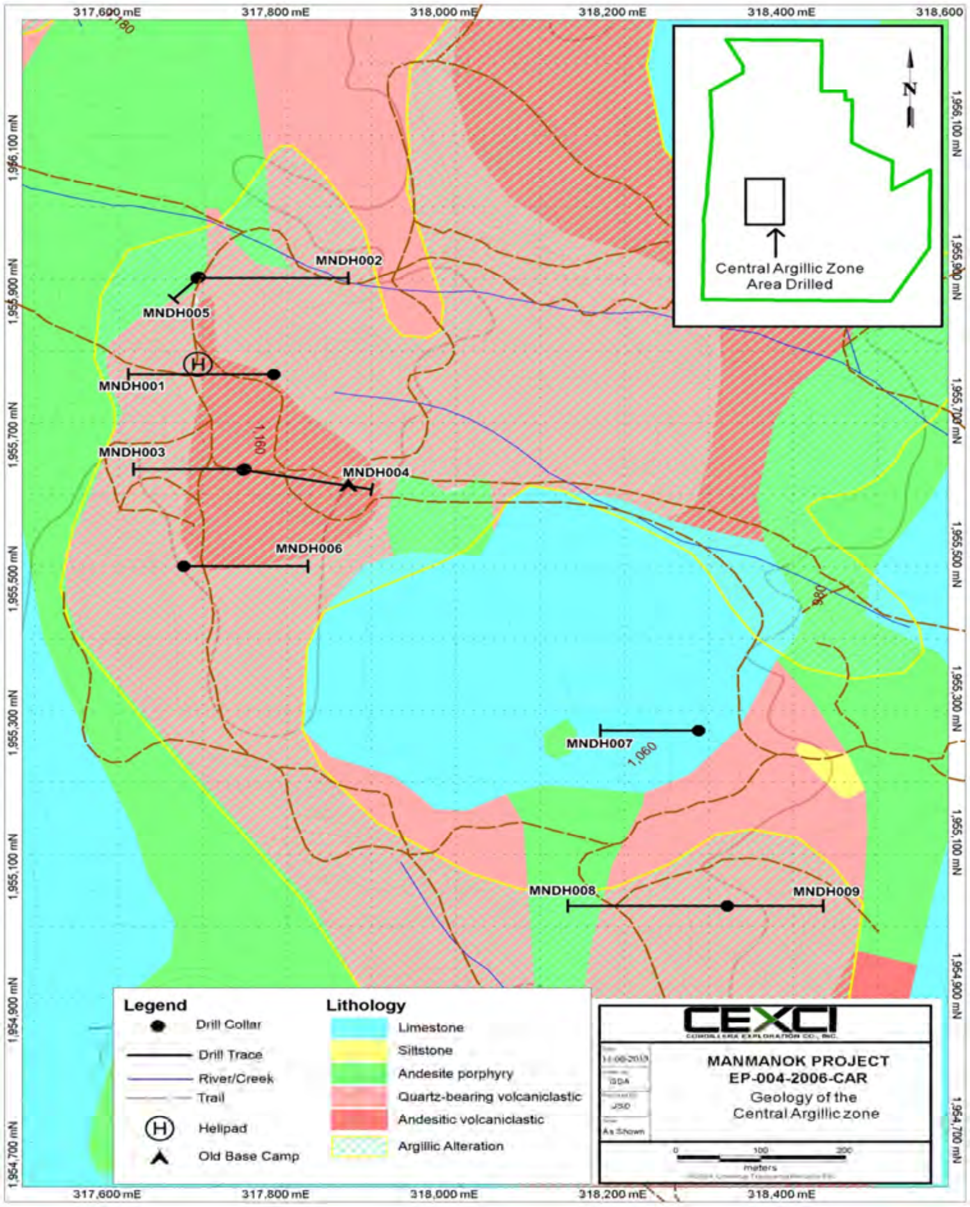
Manmanok - The Manmanok property is located within the Municipality of Conner, Apayao Province, and is proximal to the boundaries of the Municipality of Balbalan, Kalinga Province. CEXCI's right to the property is covered by an Exploration Permit (EP-004-2006-CAR), first granted in October 2006 with an area of 7,802.446 hectares. This was subsequently renewed without area relinquishment in March 2009. A second renewal of the exploration permit for the property was applied for in April 2011. Conditional to the approval of the second renewal, CEXCI had to relinquish some 40% of the ground. In as much as the minimum area that is allowed for an exploration permit is 5,000 hectares, the technical staff succeeded in taking off approximately 36% from the covered area resulting in a final total area of approximately 4,996 hectares. The second renewal for the exploration application was finally granted in November 2011.

Immediately following the 2nd renewal, a Stage 1 Exploration Program was planned and implemented. This plan consisted of detailed mapping and sampling followed by scout diamond drilling over areas surrounding the central argillic zone. Ground verification activities were started in late 2011, while the drilling activities were done from July 2012 to April 2013.

Quest Exploration Drilling Philippines, a reputable drilling company, was commissioned by CEXCI for the drilling proper. A total of nine (9) diamond drill holes (designated MNDH-01 to 09) with an aggregate 2,368 meters was completed. The total estimated budget to implement the Manmanok Stage 1 exploration program was ₱61.1 million. The significant increase in cost was attributed to delays in access construction due to bad weather, increases in fuel prices during the drilling period, and social problems resulting in prolonged mobilization, supply delivery delays and pilferage all resulting to extended stand-by times.

The table below summarizes the drill holes completed. The location of the drill holes were chosen to take into account the results of the geophysical surveys, geological mapping, soil sampling, channel sampling and stream sediment sampling conducted in the area by AAEPI and CEXCI. All of these holes were spudded within the Central Argillic Zone.

Hole ID	Final_mE	Final_mN	Azimuth	Dip	Final Depth	Drill Start	Drill End
MNDH001	317784	1955767	270	-55	300.60	2012-07-18	2012-08-10
MNDH002	317693	1955901	90	-55	312.80	2012-08-24	2012-09-16
MNDH003	317750	1955635	270	-55	230.80	2012-09-22	2012-10-02
MNDH004	317747	1955634	100	-55	271.10	2012-10-07	2012-10-24
MNDH005	317695.5	1955903	225	-55	75.60	2012-11-04	2012-11-09
MNDH006	317677	1955500	90	-55	257.50	2012-11-21	2012-12-10
MNDH007	318288	1955272	270	-70	341.30	2013-01-30	2013-02-15
MNDH008	318322	1955028	270	-60	378.60	2013-02-24	2013-03-06
MNDH009	318322	1955028	90	-55	199.40	2013-03-18	2013-03-27



Data acquired from the completed drill holes indicate a low-sulfidation, epithermal-style mineralization with generally low grades. Narrow zones of higher grades are few and far between. Current state of data precludes the conduct of a resource estimate. However, the possibility of higher grade mineralization still exists as the base of the limestone unit as well as the northwest extension of the argillic zone had not been tested.

The remoteness of the area, its lack of infrastructure, hostile behavior of the local population, security threats from communist rebels and criminal elements necessitate that any deposit to be discovered in the area be of high grade and large tonnage if it is to be developed.

The 2nd renewal for EP-004-2006-CAR expired in October 2013. Considering the results of the drilling program as well as the previously stated negative factors, it was recommended that the exploration permit be relinquished and the property returned to the government. However, the management decided to file for a 3rd renewal of the exploration permit due to the delay in the progress of exploration work, hence, the necessity to extend exploration to possibly do additional drilling. CEXCI still awaits renewal of the permit as of this writing.

Kutop - Kutop property is located within the municipalities of Malibcong and Daguioman in the Province of Abra, and the municipality of Balbalan in the Province of Kalinga. The property is covered by Exploration Permit Application No. ExPA-014-CAR. The total area contained in the application is about 13,268.29 hectares.

The Kutop property is underlain by a Paleogene arc basement volcanic suite. This suite consists of andesite lava flows and andesitic pyroclastic rocks, and contains intercalations of limestone lenses of the Malitep Formation (late Eocene). These are all conformably overlain by dacitic pyroclastic rocks with intercalated dacitic lava flows, sandstones, mudstones and limestone lenses of the Sagada Formation (late Eocene to early Oligocene). These older rock units are intruded by batholitic intrusions of the Central Cordillera Diorite Complex (late Ologocene).

West of the Kutop property is the N-S trending Abra River Fault, a splay of the Philippine Fault. Locally, several NW and NE trending lineaments are interpreted from aerial photographs.

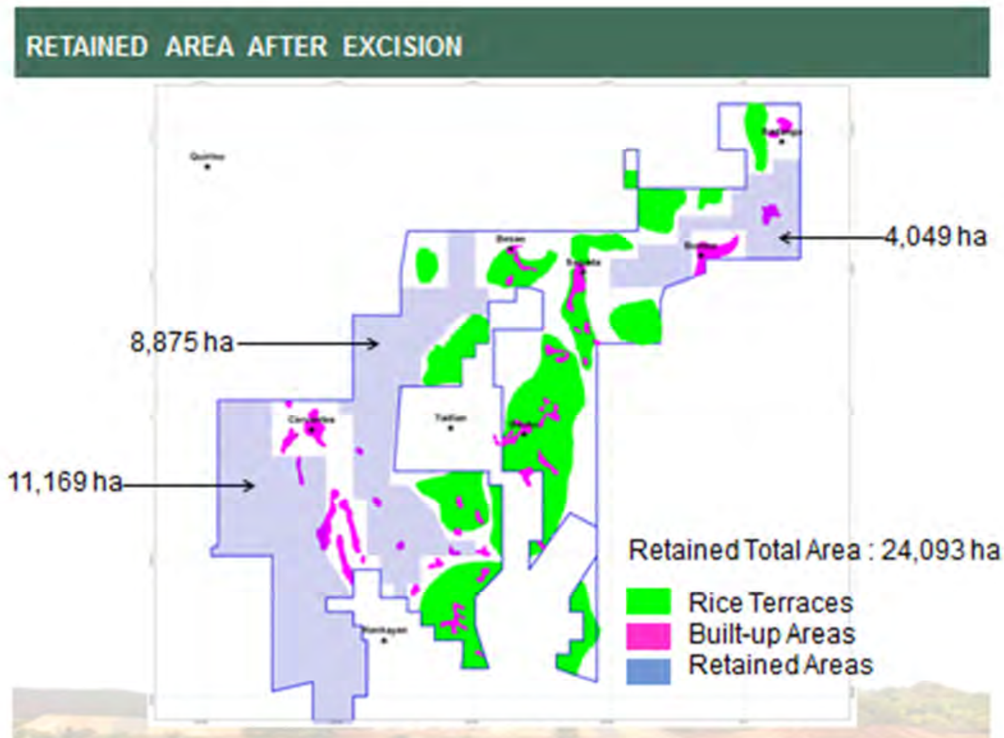
Kutop was first explored by Newmont Philippines Incorporated ("Newmont") in the 1990's. Their work included regional reconnaissance geological mapping and geochemical stream sediment sampling. Their assessment resulted in the identification of a strong gold-dominant, multi-element anomaly centered on a NW-trending ridge within the property.

The source of the Au anomaly has been identified as a large zone of quartz-calcite veining and stratiform replacement hosted by clay-pyrite extensively altered sedimentary rocks. This alteration zone has been delineated over a width of 500 meters and a vertical extent of about 250 meters. Newmont geologists were able to identify strong potential for a bulk tonnage, low-sulfidation epithermal Au deposit and/or sediment-hosted Au deposit. AAEPI conducted a technical review of the property, and affirmed the findings of Newmont with probable porphyry copper mineralization upstream of Panatan Creek.

CEXCI is now in the process of having the Work and Financial Plan for the conduct of "field-based investigations", a requisite for the FPIC process prior to the granting of the "Certificate of Precondition", which in turn is a requisite for the granting of the exploration permit. At this point, CEXCI is also seeking expressions of interest for the transfer of rights over the Kutop property.

Mankayan - The Mankayan Properties of CEXCI are located within 2 regions (CAR and Region I), and originally covered by two applications, particularly Exploration Permit Application EXPA-043 (1,872 hectares) and Financial and Technical Assistance Agreement Application AFTA-008 (77,549 hectares) for a total land area of 79,421 hectares. In April 6, 2011, EXPA-043 was denied by MGB-CAR, and by January 30, 2013, AFTA-008 had been granted a Consolidated Area Status and Clearance for 63,184.01 hectares within Region-I and Cordillera Administrative Region. AFTA-008 was posted and published CAR and in Region-I, resulting in some more objections and resolutions for the exclusion of stakeholder barangays were received. Also, an overlap on the Bessang Pass buffer zone was noticed. More adjustments and excisions were done to correct/exclude these conflict areas. With a final letter, submitted both to MGB-CAR and Region 1 and copy furnished to the MGB-CO, request by the company to excise the conflict areas from the total "cleared area" was made, bringing the total AFTA area "cleared" and posted/published to be 54,936 hectares.

In July 2013, the CEXCI board decided to convert the total AFTA ground to three (3) exploration permits in stages. These conversions will solve the issue of the ₱500.0 million paid-up capitalization required of a corporation at the granting/signing of the FTAA. The area initially decided to be converted is the 11,169-hectare ground covering the Mankayan/Cervantes area, as shown in the map below. The conversion has been approved and designated by MGB-Central Office as ExPA-116. Currently, ExPA-116 has been endorsed to the concerned regional offices of National Commission on Indigenous Peoples ("NCIP"), and as far as Region 1 is concerned, a Work and Financial Plan for the conduct of the FPIC process is now approved and ready for execution.



The Mankayan-Cervantes area is underlain by the same lithological units, and subjected to the same tectonic regimes that have rendered the district highly faulted and fractured. Most faults and structures form a conjugate pattern dominated by north and northwest trending shears, east-west trending extensional fractures, and a few north-south trending fissures.

In the Mankayan sector could be found three mineralization types, which are: a) the gold-rich porphyry copper mineralization, with the FSE and Guinaoang deposits as examples; b) the high-sulphidation copper + gold mineralization, as typified by the Lepanto ore body; and c) the intermediate-sulphidation gold + base metals mineralization, examples of which are the Victoria and Suyoc ore bodies and the Nayak-Palidan prospect. These mineralization types are localized by the different conjugate structural patterns that have dissected the area.

In 1995, detailed studies of K/Ar dating from rocks in mankayan have shown that there is an intimate spatial association and identical ages for the porphyry and epithermal mineralization pointing to a genetic relation between the Lepanto enargite and FSE ore bodies. Considering the short period of hydrothermal activity, it is most likely that the two deposits formed from a single magmatic-hydrothermal system that evolved in style of mineralization through time and space. Also, a common magmatic metal source could be deduced on the basis of similar metal associations (i.e., Au/Ag values and high Te, Su and Bi) for both deposits.

That there can be a genetic association between the porphyry copper and high-sulphidation copper-gold deposit has implications for exploration strategies. In districts where one style of mineralization is found, evidence should be sought for the presence of the other in an appropriate spatial relation. However, ore grade amounts of the complimentary style of mineralization cannot be assumed to always be present because geologic and structural factors are also critical in addition to the geochemical evolution of ore deposit formation.

It could be said, at this point, that a clear understanding of the mineralization controls in the Mankayan sector has been reasonably achieved such that the success of an exploration effort within this sector has a high probability of being attained. Over at the Cervantes sector, it has also been shown that this sector is underlain by the same lithological and structural setting as the Mankayan sector. Because of the similarities in lithological and structural controls, it could also reasonably be expected that the same controls and styles of mineralization in the Mankayan sector are also present in the Cervantes sector.

Approximately, CEXCI spent the following in their exploration properties:

	Amount (in millions)	**%age to Revenues**
2013	Php88.8	0.0080%
2012	84.7	0.0072%
2011	21.3	0.0016%

Environment and Rehabilitation
We adhere to the principles and practices of sustainable development. In addition, our mining operations are subject to stringent and extensive environmental regulations. As such, we are deeply committed to implementing best practices in managing the environmental impact of our operations, from exploration to rehabilitation. Upon cessation of our mining operations, we plan to restore our mining properties to their pre-mining conditions or to develop alternative productive land uses for the benefit of the affected communities.

The Philippine Mining Act requires us to contribute 3%—5% of our direct mining and milling costs for the implementation of the annual Environmental Protection and Enhancement Program ("EPEP"). Activities undertaken under our annual environmental protection and enhancement program include among others: rehabilitation of mine disturbed areas, reforestation, construction and/or maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring and water quality monitoring. In 2013, we spent approximately ₱336.2 million on our environmental protection and enhancement program. We believe that our cost of compliance with environmental laws is not material.

Our compliance with Environmental Compliance Certificate ("ECC") conditions and performance of its commitments under our annual environmental protection and enhancement program are subject to monitoring and evaluation of the Multipartite Monitoring Team (the "MMT"). The MMT is a multi-sector group headed by a representative from the Regional MGB and representatives of local government units, other government agencies, non-government organizations, people's organizations, the church sector and the Company.

Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. We have ₱125.5 million maintained in such funds as of December 31, 2013. This amount complies with the minimum requirement under the law.

Our Mine Rehabilitation and Decommissioning Plan is currently being finalized and will take account of an extension in the useful lives of our mines resulting from our anticipated future sales of limonite ore.

We periodically book an accretion expense and corresponding provision for mine rehabilitation and decommissioning. The basis for this expense/liability is our draft Mine Rehabilitation and Decommissioning Plan. As of December 31, 2013, we had a ₱130.9 million provision for mine rehabilitation and decommissioning. Upon approval of our Mine Rehabilitation and Decommissioning Plan by the MGB, we intend to review and, if necessary, adjust our provision for mine rehabilitation and decommissioning. We will concurrently be required to deposit funds equal to the provision in a Government bank.

<u>Social</u>
Social development programs and the implementation thereto are well developed at all the mines and the scope and breadth of these programs are commendable. Anti-mining campaigns of small groups were not disrupted of mining but contributed to further continuous improvement and responsible mining.

Our operations manage their social expenditures through their respective Social Development Management Plans ("SDMPs"). There are five-year programs containing a list of priority projects identified and approved for implementation in consultation with the host communities. The work involved in identifying and implementing the SDMP's as well as the overall responsibility for maintaining strong relationships with our host communities, lies with Community Relations teams at each of our mine sites.

Employees
As at December 31, 2013, we had approximately 1,484 employees. Of these, approximately 623 are employed in mining operations, including overburden removal. Approximately, 130 are engaged in various maintenance and ancillary functions and 731 are in administrative, technical and professional roles, including our senior management. We do not currently anticipate any significant increase or decrease in the number or allocation of our employees over the next twelve months.

Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	LCSLC	SNMRC	Total
Senior Management	12	1	-	2	1	-	-	-	**16**
Managers	9	1	2	3	2	2	-	-	**19**
Supervisors	9	6	4	4	5	4	1	-	**33**
Rank & File	15	3	4	9	8	4	1	1	**45**
Total	**45**	**11**	**10**	**18**	**16**	**10**	**2**	**1**	**113**

Minesite

	CMC	HMC	TMC	RTN	CEXCI	LCSLC	SNMRC	Total
Senior Management	1	1	1	1	-	-	-	**4**
Managers	3	12	24	25	-	-	1	**65**
Supervisors	36	48	114	108	-	-	3	**309**
Rank & File	132	92	219	524	3	-	23	**993**
Total	**172**	**153**	**358**	**658**	**3**	**-**	**27**	**1,371**

Labor conditions, including wages and benefits, are governed by Collective Bargaining Agreements ("CBA") negotiated at the mine level. Rank and file employees at RTN, TMC, CMC and HMC minesites are represented by labor unions. Collective agreements generally have terms of five years, with a provision for wage renegotiation after three (3) years. HMC's CBA is being negotiated for the five year period. The respective CBA's of RTN and CMC shall be negotiated for the remaining two years while TMC's CBA has been negotiated and agreed upon for the final two years. We believe that our wages and conditions are among the best in the Philippine mining industry. We believe that our relations with employees and their unions are generally good. The last strike at any of our mines occurred in 1981.

Pension Costs
We have separate and distinct retirement plans, some are administered by the respective Fund's Trustees, covering permanent employees. Retirement costs are separately determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Pension costs" under salaries and wages in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest expense" or "Interest income" in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income ("OCI") in the period in which they arise. Remeasurements are not reclassified to the parent company statement of income in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised Philippine Accounting Standards 19 are closed to retained earnings.

Risks Related to Our Business and Industry
We face a number of risks and the occurrence of any of these risks could have an adverse impact on our business, results of operations and financial condition:

Volatility of LME nickel prices—Our revenue is largely dependent on the world market price of nickel. The sales price of nickel ore is correlated with the world market price of nickel. The nickel price is subject to volatile price movements over time and is affected by numerous factors that are beyond our control. These factors include global supply and demand; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. A growing world nickel market and increased demand for nickel worldwide have attracted new entrants to the nickel industry, spurred the development of new mines and expansion of existing mines in various regions, including Australia, Indonesia and New Caledonia, and resulted in added production capacity throughout the industry worldwide. An increasing trend in nickel prices since early 2003 have encouraged new or existing international nickel producers to expand their production capacity. An increased rate of expansion and an oversupply of nickel in world nickel markets in the future could reduce future nickel prices and the prices we receive under our nickel ore supply agreements. If the sales price of our nickel ore falls below our production costs, we will sustain losses and, if those losses continue, we may curtail or suspend some or all of our mining and exploration activities. We would also have to assess the economic impact of any sustained lower nickel prices on recoverability and, therefore, the cut-off grade and level of our nickel reserves and resources.

Nickel mining is subject to a number of inherent risks that are beyond our control—Our mining operations are influenced by changing conditions that can affect production levels and costs for varying periods and as a result can diminish our revenues and profitability. Inclement or hazardous weather conditions, the inability to obtain equipment necessary to conduct our operations, increases in replacement or repair costs, prices for fuel and other supplies, unexpected geological conditions and prolonged disruption of production at our mines or transportation of our nickel ore to customers could have a significant impact on the productivity of our mines and our operating results.

Other factors affecting the production and sale of our nickel ore that could result in increases in our costs and decreases in our revenues and profitability include:

- equipment failures and unexpected maintenance problems;
- interruption of critical supplies, including spare parts and fuel;
- earthquakes or landslides;
- environmental hazards;
- industrial accidents;
- increased or unexpected rehabilitation costs;
- work stoppages or other labor difficulties; and
- changes in laws or regulations, including permitting requirements, the imposition of additional taxes and fees and changes in the manner of enforcement of existing laws and regulations.

The realization of any of these risks could result in damage to our mining properties, nickel ore production or transportation facilities, personal injury or death, environmental damage to our properties, the properties of others or the land or marine environments, delays in mining ore or in the transportation of ore, monetary losses and potential legal liability.

The Risk of Terrorism and Insurgency Attacks - Our operations, like any other business in the countryside, are prone to terrorist attacks and other insurgent atrocities. In October 3, 2011, around two hundred (200) armed men occupied the TMC minesite and destroyed and set on fire, among others, TMC's equipment, building structures, materials and supplies. Accounting, personnel, laboratory and administrative records were likewise destroyed. Approximately ₱239.5 million worth of damages were sustained during the tragic event. Fortunately, no life or limb was lost. In response to the incident, we have decided to beef up security in the minesites; not only that of TMC's but also that of other minesites, by closely coordinating with the Armed Forces of the Philippines tapping the services of the Special Citizen Armed Forces Geographical Unit Active Auxiliary Companies.

Changes in Chinese demand may negatively impact world nickel demand and prices— Approximately, 71% of our revenue in 2013 was derived from sales of nickel ore into China. The Chinese market has become a significant source of global demand for commodities. Stainless steel production in China records 20.0 million in 2013 and 16.0 million in 2012, correspondingly nickel consumption records 860 thousand ton in 2013 and 780 thousand ton in 2012.

China's consumption of primary nickel has increased by more than 30% over the past two years, according to CRU Strategies. While this increase represents a significant business opportunity, our exposure to China's economy and economic policies has increased. Our exposure to the Chinese market and our short-term supply agreements with Chinese customers have resulted in increased volatility in our business. In addition, increased Chinese demand for commodities has led to high volatility in the freight rates for shipping our nickel ore. High freight rates can discourage customers outside the Philippines from entering into long term supply agreements with us due to the unpredictability of future shipping costs and can also affect the price Chinese customers are willing to pay for our nickel ore.

China, in response to its increased demand for commodities, is increasingly seeking self-sufficiency in key commodities, including nickel, through investments in nickel mining operations in other countries. In addition, nickel ore is used in the production of stainless steel and a slowdown in the stainless steel industry in China, or China's economic growth in general, could result in lower Chinese demand for our products and therefore reduce our revenue.

A prolonged decrease in production by the Coral Bay HPAL facility or the Taganito HPAL facility - Approximately, 14% of our revenue in 2013 was derived from sales of limonite ore to the Coral Bay HPAL facility and Taganito HPAL facility. CBNC, the owner of the Coral Bay HPAL facility, is only required to pay for limonite ore that is actually delivered to the plant and there are no minimum take-or-pay provisions in the ore supply agreement governing our sales of ore to the facility. The ore supply agreement with Taganito HPAL facility is also subject to similar terms. In the event that the Coral Bay HPAL facility or the Taganito HPAL facility, decreases production or experiences an unexpected prolonged shutdown, we would reduce the volume of limonite ore that we deliver to the applicable facility or cease such deliveries altogether.

Our reserves may not be replaced, and failure to identify, acquire and develop additional reserves could have an adverse impact on our business, results of operations and financial condition - Our sources of nickel ore are currently limited to the Rio Tuba, Taganito, Cagdianao and Taganaan mines. Our profitability depends substantially on our ability to mine, in a cost-effective manner, nickel ore that possesses the quality characteristics desired by our customers. Because our reserves decline as we mine our nickel ore, our future success and growth depend upon our ability to identify and acquire additional nickel ore resources that are economically recoverable. We currently have seven mining exploration properties in the Philippines and if we fail to define additional reserves on any of our existing or future properties, our existing reserves will eventually be depleted.

We face competition in selling nickel ore - We compete with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers in world nickel ore markets. We compete with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply.

Failure to obtain, sustain or renew our mineral agreements, operating agreements and other permits and licenses necessary for our business - We rely on permits, licenses, including MPSA, operating agreements with third-party claim owners and land access agreements to conduct our mining operations. The MPSAs and operating agreement with respect to our four operating mines expire at different times between 2022 and 2034 and require renewal upon expiration. We believe that we currently hold or have applied for all necessary licenses, permits, operating agreements and land access agreements to carry on the activities that we are currently conducting under applicable laws and regulations, licenses, permits, operating agreements and land access agreements. We may be required to prepare and present to government authorities data pertaining to the impact that any proposed exploration or production of ore may have on the environment, as well as efficient resource utilization and other factors our operations may influence. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals we need for our mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts our ability to conduct our mining operations profitably.

To illustrate our reliance on licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct our mining operations, RTN's application for a tree-cutting permit for its Gotok limestone quarry before the DENR - Forest Management Bureau has been pending for more than three (3) years already and is still awaiting approval.

Furthermore, new laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in our equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may also cause material delays or interruptions of one or more of our current or planned operations or developments or, to the extent such approvals or conditions cannot be obtained or met on an economical basis, the curtailment or termination of such operations or developments.

In addition, the local governments where our mines or exploration properties are located may impose additional restrictions on our operations. For instance, the conversion of a mining lease to an MPSA for our Mt. Bulanjao exploration property has been pending for several years due to restrictions on mining above a certain elevation imposed by the PCSD. Recently, the Municipality of Bataraza where the property is located, reclassified the Bulanjao area as open to mineral development. A final endorsement from the PCSD is necessary before RTN can receive the MPSA on the property.

Continued compliance with safety, health and environmental laws and regulations—We expend significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, collectively referred to as "laws") drawn from a number of different jurisdictions. We anticipate that we will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement or new judicial interpretation of existing laws exists in the areas of worker health and safety, the disposition of waste, the decommissioning and rehabilitation of mining sites and other environmental matters, each of which could have a material adverse effect on our exploration, operations or the cost or the viability of a particular project. Our facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and our right to continue operating our facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact our business—Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters. Compliance with these laws and regulations involve substantial costs. It is possible that the costs, delays and other effects associated with these laws and regulations may impact our decision as to whether to continue to operate existing mines, refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change from time to time, are subject to interpretation and may be enforced to varying degrees in practice, we are unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

For example, RTN provides materials handling and transportation services to CBNC, which involve transporting materials for use at the Coral Bay HPAL facility from RTN's piers to the Coral Bay HPAL facility. These materials include sulfuric acid and other substances that are or could become classified as hazardous substances. If any hazardous substances are found to have been released into the environment by RTN, whether due to accidents, leakage or otherwise, we could be liable for the investigation and removal of those substances, regardless of their source and time of release. The cost of any remediation activities in connection with a spill or other release of such substances could be significant and could have an adverse impact on our business, results of operations and financial condition.

Exposure to exchange rate fluctuations - Our nickel ore sales are denominated in United States dollars while most of our costs are incurred in peso. The appreciation of the peso against the United States dollar reduces our revenue in peso terms. Accordingly, fluctuation in exchange rates can have an impact on our financial results. Additionally, in the past we have invested in derivative instruments that increased in value as the peso appreciated relative to the U.S. dollar, and vice versa. While our current policy is not to hedge our exposure to foreign currency exchange risk or invest in this type of derivative instrument, we do, and may continue to, invest in U.S. dollar denominated portfolio investments. Appreciation of the peso relative to the U.S. dollar could result in a translation loss on our U.S. dollar-denominated assets.

Item 2. Properties

Below is a summary of the NAC Group's mineral agreements and permits, mineral resources and reserves and processing facilities with respect to its mining operations.

Mining Properties and Permits

RIO TUBA NICKEL MINING CORPORATION

A. Rio Tuba mine
MPSA No. 114-98-IV covering beneficiated nickel mine—On June 4, 1998, RTN was issued a mineral and production sharing agreement by the DENR covering an area of 990 hectares, situated at Barangay Rio Tuba, Bataraza, Palawan, valid for 25 years, renewable for another 25 years subject to mutually agreed upon terms and conditions. However, under the Strategic Environmental Plan for Palawan Act (Republic Act No. 7611), operations are currently prohibited within an area of 144 hectares classified as "core zone" which are required to be fully and strictly protected and maintained free of human disruption. Included in the "core zone" are all types of natural forest, areas above 1,000 meters elevation, peaks of mountains or other areas with very steep gradients, and endangered habitats and habitats of endangered and rare species.

The primary purpose of the MPSA is to provide for the sustainable development and commercial utilization of nickel, cobalt, chromite and other mineral deposits within the contract area, with all necessary services, technology and financing to be furnished or arranged for by RTN under the terms of such agreement. However, the MPSA does not grant RTN any title over the contract/mining area, without prejudice to RTN's acquisition of land/surface rights under allowable modes of acquisition under the law. RTN is to undertake and execute, for and on behalf of the Government the sustainable mining operations and is constituted as the exclusive entity to conduct mining operations in the contract area. The share of the Government is the excise tax on mineral products at the time of removal at the rate provided for in R.A. 7729, amending Section 151(a) of the National Internal Revenue Code, as amended, as well as other taxes, duties and fees levied by existing laws. Currently, the excise tax is 2% of the actual market value of the gross output at the time of removal.

The provisions of the MPSA relating to environmental protection, mine safety and health require RTN to secure an ECC, an EPEP, allocating at least ten percent (10%) of its total project cost for its initial environment related capital expenditures, although this may be adjusted depending on the nature and scale of operations and technology to be employed in the Contract Area. RTN is also required to submit an annual EPEP every year, based on the approved EPEP, allocating three to five percent (3-5%) of its direct mining and milling cost for the same. RTN is also required to establish a Mine Rehabilitation Fund based on the financial requirements of the EPEP.

Under the obligations of RTN as contractor, RTN is required to allocate annually a minimum of one percent (1%) of the direct mining and milling costs for the development of technology and the host and neighboring communities. Expenses for community development maybe charged against royalty payment of one percent (1%) of the gross output allocated to the indigenous cultural community.

MPSA No. 213-2005-IVB for Rio Tuba Nickel's Limestone Quarry—On April 28, 2005, RTN was issued another MPSA for a total area of 84.5364 hectares in Bataraza, Palawan. This MPSA was also given a validity of 25 years renewable for another 25 years subject to mutually agreed upon terms and conditions. This MPSA covers the SitioGotok limestone pit, whereby limestone is to be sold to CBNC and used at the Coral Bay HPAL facility.

The terms and conditions of this MPSA mirror the terms of MPSA No. 114-98-IV granted to RTN, albeit covering mining of limestone rather than nickel products.

B. Bulanjao exploration

MPSA Application for expiring mining lease contracts—On June 17, 2003, RTN filed an application to renew and to convert into MPSAs 14 existing mining lease contracts which were due to expire in the period from June 2003 to August 2004. The application included six small mining blocks of new areas located within the said existing mining lease contracts.

No operations are currently being conducted in these areas. The application remains pending.

HINATUAN MINING CORPORATION

A. South Dinagat
MPSA No. 072-97-XIII—The South Dinagat exploration property is subject to an amended MPSA (No. 072-97-XIII) dated August 7, 1997 owned by Pacific Nickel Philippines, Inc. ("PNPI") that it acquired by virtue of a Deed of Assignment in its favor, with Philnico Mining and Industrial Corporation ("PMIC") dated May 2, 1997. The assignment was registered with the MGB on August 31, 1997. The MPSA covers an area of approximately 25,000 hectares.

a. MPSA granted to PMIC/PNPI—Under the MPSA between the Philippine government and PNPI, the exploration period shall be two years from August 7, 1997, the effective date of the agreement, renewable for the same period of time, but not to exceed a total of six years. PNPI applied for and was granted an extension of exploration permit for another two years and submitted an environmental work program for the two-year extension as required in the MPSA. The MPSA is for a term of twenty five (25) years from the effective date, renewable for another term not exceeding twenty five (25) years under the same terms and conditions, without prejudice to changes mutually agreed upon by the parties.

b. MOA with PNPI dated 18 October 2001—Pursuant to a MOA between PNPI and HMC dated October 18, 2001, PNPI granted to HMC for an initial term of five (5) years, its rights and obligations on part of the land (215 hectares) covered by the MPSA. The MOA was approved by the MGB of the DENR in an order dated September 24, 2002. It provides that HMC is entitled to mine and sell to third parties the saprolite ore produced from the South Dinagat exploration property, as an independent contractor, to undertake the exploration, development, and operation of the mineral property in consideration for a royalty equal to a percentage of the gross revenue from sales of ore from the mine, net of taxes and other specified amounts. The MOA with PNPI (MPSA holder of South Dinagat Project) was renewed for another five years on August 4, 2006, which expired on October 18, 2011. Accordingly, the project area was granted a Certificate of Approval for its Final Mine Rehabilitation and/or Decommissioning Plan ("FMRDP"). HMC is currently implementing the FMRDP.

B. Taganaan mine
MPSA 246-2007-XIII—On July 25, 2007, HMC was granted an MPSA covering 773,7870 hectares of mineral land in Talavera, Taganaan, Surigao del Norte within Parcel II of the Surigao Mineral Reservation for a period of 25 years renewable for another 25 years subject to mutually agreed upon terms and conditions. The primary purpose of the MPSA is for the rational exploration and possible development and utilization for commercial purposes of nickel and other associated mineral deposits in the contract area.

C. Manicani mine
MPSA No. 012-92-VIII—The Manicani mine is subject to an MPSA (No. 012-92-VIII) granted on August 13, 1992 for 1,165 hectares. It has a term of twenty five (25) years and is renewable for another term not exceeding twenty five (25) years subject to mutually agreed upon terms and conditions. This

MPSA was assigned to SNMRC which was submitted to the MGB VIII Regional Office on September 21 and will be endorsed by the same to the MGB Central Office for further evaluation and final approval.

On May 1, 2002, the DENR ordered the suspension of mining operations in Manicani pending a conduct of investigation in view of the complaints of the Roman Catholic Bishop. In a decision dated August 2, 2004, an arbitral panel of the Mines Adjudication Board, MGB, Region 8, the MPSA was ordered cancelled. The basis for the decision of the Board was a violation of the ECC with respect to dust pollution, reforestation and wastewater discharge. As a result of the decision, mining operations in Manicani remain suspended. The mining operations were found by the Board to be causing pollution of the seawater of Manicani Island. A Memorandum of Appeal dated December 23, 2004 was filed by HMC and our MPSA was upheld by the Mines Adjudication Board on September 4, 2009.

TAGANITO MINING CORPORATION

A. Taganito Mine
MPSA No. 266-2008-XIII—TMC was granted an MPSA on June 18, 2009 for a period of 25 years subject to renewal as may be mutually agreed upon. The MPSA covers an area of 4,862.7116 hectares located at the Barangays of Hayanggabon, Urbiztondo, Taganito and Cagdianao, Municipality of Claver, Province of Surigao del Norte. The purpose of the MPSA is the development and commercial utilization of nickel and other associated mineral deposits in the mineral land.

B. Kepha Exploration
MPSA No. 284-2009-XIII—On June 19, 2009, KMEC was issued a MPSA covering 6,980.75 hectares of mineral land situated in the Municipality of Claver, Province of Surigao del Norte within Parcel I of the Surigao Mineral Reservation. The MPSA is for a period of twenty five (25) years and renewable for another twenty five (25) years as may be mutually agreed upon by the parties.

The terms and conditions of this MPSA mirror the terms of MPSA No. 266-2008-XIII granted to TMC.

An Operating Agreement dated February 14, 2007 was executed by and between TMC and KMEC for a term of 25 years from February 14, 2007, whereby TMC shall maintain the mining rights covering the mineral property in good standing for and on behalf of KMEC.

C. Ludgoron Exploration
MPSA No. 247-2007-XIII—LMC was granted an MPSA on July 27, 2007 covering 3,248.0626 hectares of mineral land situated at Pantukan, Carrascal, Surigao del Sur within Parcel I of the Surigao Mineral Reservation. The term of the MPSA is twenty five (25) years and renewable for another twenty five (25) years as may be agreed upon.

The MPSA is for the purpose of rational exploration, development and commercial utilization of nickel, cobalt, iron and other associated mineral deposits in the contract area.

On August 28, 2007 an Operating Agreement was executed between LMC and TMC whereby the latter shall maintain the mining rights of LMC covering the properties and to maintain the same in good and current standing for and on behalf of LMC.

D. La Salle Exploration

LSMEC filed an application for MPSA denominated as APSA No. 000073-XIII covering 6,824 hectares of mineral land situated at Brgy. Sicosico, Municipality of Gigaquit, Surigao del Norte, Mindanao for the development of limestone deposits as mine.

On December 18, 2006, LSMEC entered into an Operating agreement with TMC for a term of twenty five (25) years whereby TMC shall maintain the mining rights of LSMEC covering the aforesaid properties and to keep the rights in current and good standing for and on behalf of LSMEC.

CAGDIANAO MINING CORPORATION

A. Cagdianao mine
MPSA No. 078- 97- XIII—On November 19, 1997, East Coast was granted an MPSA for a period of 25 years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 697.0481 hectares situated at Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

On the same date, a MOA was executed between CMC, as Operator and East Coast for a period of 10 years from the effectivity of the MOA whereby East Coast grants CMC the exclusive right to explore, develop and utilize the mineral property covered by the MPSA.

B. Boa Exploration
MPSA 241-2007-XIII-SMR – Norweah Metals and Minerals Company Inc. ("Norweah") was granted an MPSA on July 12, 2007 for a period of 25 years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

A MOA was executed on October 12, 2004 between Norweah and CMC for a term of ten (10) years from the approval of the MPSA, whereby Norweah granted CMC exclusive rights to explore, develop, exploit and operate the mineral property subject of the MPSA.

Mineral Resources and Reserves
As of December 31, 2013, the Company's Total Mineral Resources and Ore Reserves in accordance with PMRC are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
*Ore Reserves**						
Saprolite	Proved and Probable	119,594	81,417	1.50	11.22	1,222
Limonite	Proved and Probable	249,714	168,780	1.10	43.23	1,858
*Mineral Resources***						
Saprolite	Measured & Indicated	126,459	84,836	1.60	11.06	1,355
Limonite	Measured & Indicated	258,630	174,692	1.10	43.28	1,925
Saprolite	Inferred	31,926	20,578	1.42	11.91	293
Limonite	Inferred	10,575	7,297	1.18	38.64	86

** This ore reserves estimate was prepared by Engr. Jose S. Saret. (BSEM), Senior Vice President and Chief Operating Officer of Nickel Asia Corporation. Engr. Saret is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. He is a licensed mining engineer with PRC registration number 887. He has given his consent to the attachment of this statement to the 17-A 2013 Annual Report concerning Ore Reserve Estimation.*
*** This mineral resources estimate was prepared by Mr. Radegundo S. De Luna, Consultant of Nickel Asia Corporation. Mr. De Luna is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. He is a licensed geologist with License number 218. He has given his consent to the attachment of this statement to the 17-A 2013 Annual Report concerning Mineral Resources Estimation.*

Processing Facilities

CBNC

Facility	Coral Bay HPAL nickel processing plant
Location	In a Special Economic Zone adjacent to Rio Tuba mine
Ownership.....................	Rio Tuba (10%) Mitsui (18%) Sojitz Corp (18%) SMM (54%)
Operations.....................	Commissioned in 2005 with design capacity of 10,000 tonnes per year of contained nickel. Capacity doubled to 20,000 tonnes per year of contained nickel in June 2009
Technology	HPAL process
Source of ore	Rio Tuba mine

Product	Nickel-cobalt sulfide sold exclusively to SMM

Our subsidiary, RTN, holds a 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant. A consortium of Japanese companies led by SMM holds the remaining 90% equity interest. The plant was constructed adjacent to the Rio Tuba mine in an area designated as a Special Economic Zone by the Philippine Export Zone Authority ("PEZA"). As such, CBNC enjoys tax incentives, including a tax holiday. All of the limonite ore required for the plant is supplied by RTN from its extensive stockpile and from newly mined ore. RTN also supplies limestone and undertakes certain materials handling and transportation services. The plant produces a nickel sulphide precipitate containing approximately 57% nickel and 4% cobalt, which is sold exclusively to SMM for refining at its Niihama refinery. The facility uses proprietary SMM technology under a non-exclusive license.

<u>THNC</u>

Facility	Taganito HPAL nickel processing plant
Location	In a Special Economic Zone adjacent to the Taganito mine
Ownership....................	NAC (22.5%) SMM (62.5%) Mitsui (15.0%)
Operations..................	Commenced commercial operations at full capacity in October 2013 and expected to produce approximately 30,000 tonnes of contained nickel in 2014, the first full year of commercial operations at full capacity
Technology	HPAL process
Investment cost/financing	US$1,420 million, which further increased to US$1,590.0 million, to be majority debt-financed, with remaining balance to be equity-financed based on ownership
Source of ore	Taganito Mine
Product	Nickel-cobalt sulphide to be sold exclusively to SMM

Following the success of the Coral Bay HPAL facility and taking into account the stockpile and reserves of limonite ore owned by our subsidiary, TMC, SMM conducted a feasibility study in September 2009 on a 30,000 tonnes-per-year HPAL plant to be located adjacent to our TMC mine site. The completion of the study led to the signing of a Memorandum of Understanding in September 2009 between us, TMC, and SMM to proceed with the project. We expect that the plant will use technology similar to that used at the Coral Bay HPAL facility but will be triple the original size of the Coral Bay plant. TMC is expected to supply all the limonite ore required for the plant and the nickel-cobalt sulfide product will be sold exclusively to SMM for refining in Japan.

Pursuant to the Taganito HPAL Stockholders Agreement that we entered into on September 15, 2010, the project will be undertaken by THNC, a company that will be jointly owned by us (as to 22.5%), SMM (as to 62.5%) and Mitsui (as to 15.0%). The agreement contains a term sheet with principal terms of an offtake agreement to be entered into between THNC and TMC for the supply of limonite ore. Similar to the Coral Bay HPAL facility, the plant is located in a Special Economic Zone approved by the PEZA and should enjoy tax incentives. The operation of the facility should not only provide an additional dedicated customer for limonite ore from our Taganito mine, but, through our 22.5% equity interest, allow us to benefit from the higher percentage of payable nickel available further downstream in the nickel value chain.

The estimated total cost is US$1.7 billion, which includes capital expenditures of US$1.6 billion for the plant, working capital and US$100.0 million of interest accrued during the construction phase. In addition to our ₱4.4 billion equity contribution which we made last November 2010, we have committed to contribute up to an additional US$47.9 million in the event that THNC requires additional funds prior to completion of construction of the HPAL facility. An estimated of US$1.1 billion of the project costs will be financed with debt financing that will be incurred by THNC. Under the terms of the Stockholders Agreement, we will be required to guarantee a portion of such debt financing equal to our 22.5% equity interest in THNC. On September 15, 2010, we entered into an agreement with SMM whereby SMM will guarantee our pro-rata portion of THNC's loan obligation in exchange for the payment of an annual guarantee service fee to SMM of 1% of our pro-rata share of the outstanding loan obligation.

As at December 31, 2013, the Company, SMM and Mitsui made additional investment of US$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the latter pays guarantee service fee.

On October 4, 2013, the Company, SMM and Mitsui agreed to extend another loan of US$90.0 million to THNC for the construction of the tailings dam. No drawdown was made on this loan as at December 31, 2013.

In the absence of cost overuns or major expansion plan, THNC is expected to distribute all of its available cash as dividends to shareholders in any financial year, after payments have been made for operating expenses, applicable taxes, capital expenditure, working capital, scheduled loan principal and interest repayments, and after making provisions for upcoming installments of the loans and required working capital.

Liens and Encumbrances
Other than SMM's mortgage over RTN's pier facilities, none of our properties are subject to any liens, encumbrances or other security interests. Further, there were no limitations on ownership or usage over the said property.

Item 3. Legal Proceedings

In the ordinary course of our business, we are a party to various legal actions that are mainly labor cases and that we believe are routine and incidental to the operation of our business. We do not believe that we are subject to any ongoing, pending or threatened legal proceeding that is likely to have a material effect on our business, financial condition or results of operations. However, there are a few cases that are now pending with the Courts.

NCIP Case
There is an ongoing case involving TMC whereby the complainants filed a case with the NCIP seeking to invalidate the MOA between TMC and the AMPANTRIMTU, the organization representing the Mamanwa tribe, which has a Certificate of Ancestral Domain Title over the mining area of TMC.

The complainants assert that TMC negotiated the MOA with the wrong tribal leaders, and thus, the MOA should be invalidated. In its answer, TMC alleges that the NCIP certified the authority of the tribal leaders to represent the indigenous people, and that the NCIP was a party to the MOA, with the Honorable Mayor of the host municipality, Claver, signing as a witness.

The case is currently pending with the NCIP and the parties are awaiting further notice as to whether the case will be set for hearing or be submitted for resolution on the basis of the pleadings filed.

Petition for the Issuance of a Writ of Kalikasan
Finally, pending before the Court of Appeals is a Petition for the issuance of a Writ of Kalikasan and a Temporary Environmental Protection Order filed against TMC and four (4) other mining companies. This case was originally filed with the Supreme Court, which remanded the same to the Court of Appeals for disposition. Thus, the Court of Appeals conducted evidentiary hearings wherein the Petitioners presented their evidence while the Respondents were allowed to observe the proceedings cross-examine their witnesses. After the presentation of the evidence of the petitioners, The parties were thereafter directed to file their respective memoranda on the basis of which a Resolution by the Court of Appeals shall be issued.

On March 2, 2012, a Writ of Kalikasan was issued by the Court of Appeals-Cagayan de Oro (CA-CDO) ordering TMC to file a Verified Return within a non-extendible period of ten (10) days from receipt. Accordingly, TMC timely filed the said Return as directed by the Court. On March 19, 2012, TMC, through its counsel, filed a Return ad Cautelam. TMC likewise filed a Supplemental Return ad Cautelam on July 3, 2012.

Item 4. Submission of Matters to a Vote of Security Holders
There were no matters covered under this item submitted in 2013 to the security holders for a vote.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Company's common equity is traded in the Philippine Stock Exchange at a price of ₱15.00 per share (or ₱8.00 per share after the stock dividends) on November 22, 2010. The stock prices for the Company's common equity since the initial public offering, after the effect of stock dividends, are as follows:

	High	Low
2010		
4th quarter	₱8.97	₱8.13
2011		
1st Quarter	₱12.19	₱9.23
2nd Quarter	₱12.56	₱10.03
3rd Quarter	₱11.47	₱8.80
4th Quarter	₱11.17	₱8.96
2012		
1st Quarter	₱18.37	₱11.20
2nd Quarter	₱18.93	₱14.53
3rd Quarter	₱16.24	₱13.28
4th Quarter	₱14.00	₱12.62
2013		
1st Quarter	₱20.40	₱13.06
2nd Quarter	₱22.56	₱15.23
3rd Quarter	₱17.48	₱15.00
4th Quarter	₱16.46	₱14.28
2014		
1st Quarter	₱19.88	₱15.04

The Company's stocks share price was at ₱22.00 per share as of April 11, 2014.

Holders

The Company has 45 shareholders as of the end of 2013, with 2,519,159,345 common shares issued and outstanding. The top 20 stockholders of the Company as of December 31, 2013 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	1,502,909,195	59.66%
Sumitomo Metal Mining Philippine Holdings Corporation	Japanese	481,552,642	19.12%
Luis J. L. Virata	Filipino	312,052,632	12.39%
PCD Nominee Corporation (Non-Filipino)	Foreign	213,114,916	8.46%
Pacific Metals Co., Ltd.	Japanese	4,204,171	0.17%
Gerard H. Brimo	Filipino	3,478,125	0.14%
William T. Enrile &/or William R. Enrile &/or Nelly R. Enrile	Filipino	843,750	0.03%
Philip T. Ang	Filipino	195,966	0.01%
Luismil de Villa Gala &/or Sylvia Reynoso Gala	Filipino	125,062	0.00%
Eva Policar-Bautista	Filipino	121,875	0.00%
Berck Y. Cheng	Filipino	100,000	0.00%
Cristina C. Pertierra ITF Michael C. Pertierra	Filipino	93,750	0.00%
Manuel B. Zamora, Jr.	Filipino	84,855	0.00%

Name	Citizenship	Shares	% of Ownership
Jose B. Anievas	Filipino	70,832	0.00%
Cristina S. Ison	Filipino	53,437	0.00%
Alvin S. Ison &/or Maria Lea S. Ison	Filipino	50,437	0.00%
Regina Capital Dev. Corp.	Filipino	23,000	0.00%
Seiji Suzuki	Japanese	20,000	0.00%
Sylvia F. Lacson Mendoza, Rodolfo G. &/or Albina M.	Filipino	18,750	0.00%
Rodolfo G. Mendoza &/or Albina M.	Filipino	11,800	0.00%

Dividends

The following tables show the dividends declared to common shareholders for the years ended December 31, 2013, 2012 and 2011:

Cash Dividends

	Date			*Amount*	
Earnings	*Approved*	*Record*	*Payable*	*Per Share*	*Total Declared (in millions)*
2013	April 5, 2013	April 22, 2013	May 14, 2013	₱0.35	₱705.3
2012	March 28, 2012	April 16, 2012	May 11, 2012	0.80	1,073.5
2011	October 25, 2011	November 11, 2011	December 8, 2011	0.15	201.0
2011	March 25, 2011	April 11, 2011	May 9, 2011	0.35	468.9

Stock Dividends

	Date					
Earnings	*Approved*	*Record*	*Issue*	*%*	*No. of Shares (in millions)*	*Total Declared (in millions)*
2013	June 3, 2013	June 18, 2013	July 12, 2013	25	503.8	₱251.9
2012	June 8, 2012	August 29, 2012	September. 24, 2012	50	671.2	335.6

We declare dividends to shareholders of record, which are paid from our unrestricted retained earnings. Our dividend policy entitles holders of shares to receive annual cash dividends of up to 30% of the prior year's recurring attributable net income based on the recommendation of our Board of Directors ("BOD"). Such recommendation will take into consideration factors such as dividend income from subsidiaries, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others. Although the cash dividend policy may be changed by our BOD at any time, our current intention is to pay holders of our shares annual cash dividends at this ratio. Additionally, in the event that new investments, acquisitions or other capital expenditure plans do not materialize, our BOD plans to review the dividend policy and consider increasing the dividend ratio above 30% of the prior year's recurring net income.

Our subsidiaries pay dividends subject to the requirements of applicable laws and regulations and availability of unrestricted retained earnings, without any restriction imposed by the terms of contractual agreements. Notwithstanding the foregoing, the declaration and payment of such dividends depends upon the respective subsidiary's results of operations and future projects, earnings, cash flow and financial condition, capital investment requirements and other factors.

Recent Sales of Unregistered or Exempt Securities.

No unregistered securities were sold in 2013.

Item 6. Management's Discussion and Analysis of Financial Position and Results of Operations.

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with those audited consolidated financial statements.

The Group has not, in the past five years and since its incorporation, revised its financial statements for reasons other than changes in accounting policies.

Summary Financial Information

The Consolidated Financial Statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 are hereto attached.

The following table sets forth the summary financial information for the three years ended December 31, 2013, 2012 and 2011 and as at December 31, 2013, 2012 and 2011:

Summary Consolidated Statements of Income

	For the Years Ended Dec 31			Horizontal Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2013	2012	2011	2013 vs. 2012	%	2012 vs. 2011	%
	(In thousand pesos)						
Revenues	11,109,529	11,606,907	12,694,706	(497,378)	-4%	(1,087,799)	-9%
Cost and expenses	(7,562,413)	(7,458,036)	(6,231,889)	104,377	1%	1,226,147	20%
Finance income	166,753	235,040	208,436	(68,287)	-29%	26,604	13%
Finance expense	(128,298)	(114,536)	(66,615)	13,762	12%	47,921	72%
Equity in net losses of an associate	(184,703)	(114,639)	(196,185)	70,064	61%	(81,546)	-42%
Other income - net	309,783	300,262	745,200	9,521	3%	(444,938)	60%
Provision for income tax - net	(1,124,215)	(1,334,698)	(1,686,015)	(210,483)	-16%	(351,317)	-21%
Net income	2,586,436	3,120,300	5,467,638	(533,864)	-17%	(2,347,338)	43%
Net income attributable to:							
Equity holders of the parent	2,053,674	2,207,210	3,537,782	(153,536)	-7%	(1,330,572)	-38%
Non-controlling interests	532,762	913,090	1,929,856	(380,328)	-42%	(1,016,766)	-53%
	2,586,436	3,120,300	5,467,638	(533,864)	-17%	(2,347,338)	-43%

Summary Consolidated Statements of Income

	For the Years Ended Dec 31			Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2013	2012	2011	2013 vs. 2012	%	2012 vs. 2011	%
	(In thousand pesos)						
Revenues	11,109,529	11,606,907	12,694,706	(497,378)	93%	(1,087,799)	46%
Cost and expenses	(7,562,413)	(7,458,036)	(6,231,889)	104,377	-20%	1,226,147	-52%
Finance income	166,753	235,040	208,436	(68,287)	13%	26,604	-1%
Finance expense	(128,298)	(114,536)	(66,615)	13,762	-3%	47,921	-2%
Equity in net losses of an associate	(184,703)	(114,639)	(196,185)	70,064	-13%	(81,546)	3%
Other income - net	309,783	300,262	745,200	9,521	-2%	(444,938)	19%
Provision for income tax - net	(1,124,215)	(1,334,698)	(1,686,015)	(210,483)	39%	(351,317)	15%
Net income	2,586,436	3,120,300	5,467,638	(533,864)	100%	(2,347,338)	100%
Net income attributable to:							
Equity holders of the parent	2,053,674	2,207,210	3,537,782	(153,536)	29%	(1,330,572)	57%
Non-controlling interests	532,762	913,090	1,929,856	(380,328)	71%	(1,016,766)	43%
	2,586,436	3,120,300	5,467,638	(533,864)	100%	(2,347,338)	100%

Summary Consolidated Statements of Financial Position

	2013	2012	2011	Horizontal Analysis Increase (Decrease) 2013 vs. 2012	%	Increase (Decrease) 2012 vs. 2011	%
	(In Thousand Pesos)						
Current assets	14,601,036	13,449,547	14,269,395	1,151,489	9%	(819,848)	-6%
Noncurrent assets	14,312,492	13,729,670	12,133,503	582,822	4%	1,596,167	13%
Total assets	28,913,528	27,179,217	26,402,898	1,734,311	6%	776,319	3%
Current liabilities	1,308,963	1,275,729	1,637,815	33,234	3%	(362,086)	-22%
Noncurrent liabilities	2,392,777	2,321,784	2,532,478	70,993	3%	(210,694)	-8%
Non-controlling interests	4,721,640	4,705,278	4,358,573	16,362	0%	346,705	8%
Equity attributable to equity holders of the Parent	20,490,148	18,876,426	17,874,032	1,613,722	9%	1,002,394	6%
Total liabilities and equity	28,913,528	27,179,217	26,402,898	1,734,311	6%	776,319	3%

Summary Consolidated Statements of Financial Position

	2013	2012	2011	Vertical Analysis Increase (Decrease) 2013 vs. 2012	%	Increase (Decrease) 2012 vs. 2011	%
	(In Thousand Pesos)						
Current assets	14,601,036	13,449,547	14,269,395	1,151,489	66%	(819,848)	-106%
Noncurrent assets	14,312,492	13,729,670	12,133,503	582,822	34%	1,596,167	206%
Total assets	28,913,528	27,179,217	26,402,898	1,734,311	100%	776,319	100%
Current liabilities	1,308,963	1,275,729	1,637,815	33,234	2%	(362,086)	-47%
Noncurrent liabilities	2,392,777	2,321,784	2,532,478	70,993	4%	(210,694)	-27%
Non-controlling interests	4,721,640	4,705,278	4,358,573	16,362	1%	346,705	45%
Equity attributable to equity holders of the Parent	20,490,148	18,876,426	17,874,032	1,613,722	93%	1,002,394	129%
Total liabilities and equity	28,913,528	27,179,217	26,402,898	1,734,311	100%	776,319	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31 2013	2012	2011
	(In Thousand Pesos)		
Net cash flows from (used in):			
Operating activities	4,120,922	4,078,964	5,493,727
Investing activities	(1,913,083)	(3,298,652)	(819,206)
Financing activities	(1,310,079)	(1,759,134)	(1,138,079)
Net increase (decrease) in cash and cash equivalents	897,760	(978,822)	3,536,442
Cash and cash equivalents, beginning	9,263,451	10,350,592	6,805,968
Effect of exchange rate changes in cash and cash equivalents	73,125	(108,319)	8,182
Cash and cash equivalents, end	10,234,336	9,263,451	10,350,592

Results of Operations

Calendar year ended December 31, 2013 compared with calendar year ended December 31, 2012

Revenues
Our total revenues were ₱11,109.5 million in 2013 as compared to ₱11,606.9 million in 2012, a decrease of ₱497.4 million, or 4%.

Sale of ore
We sold an aggregate 13,998.4 thousand WMT of nickel ore in 2013, an increase of 19% compared to 11,730.2 thousand WMT of nickel ore in 2012. Our sales for this year included 3,594.2 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 6,124.7 thousand WMT of limonite ore to our Chinese customers and 4,279.5 thousand WMT of limonite ore to CBNC and THNC compared to sales of 4,236.6 thousand WMT, 4,142.1 thousand WMT and 3,351.5 thousand WMT, respectively, in 2012.

Our revenue from sale of nickel ore was ₱10,475.5 million in 2013 as compared to ₱11,143.3 million in 2012, a decrease of ₱667.8 million, or 6%, mainly as a result of lower LME nickel prices despite a higher sales volume achieved and depreciation of peso as against US dollar. Our realized LME nickel price in 2013, applicable to sales of high and medium grade saprolite ore sold to our Japanese and Chinese customers and sales of limonite ore to Chinese customers, CBNC and THNC, averaged $6.91 per pound of payable nickel compared to $8.10 per pound of payable nickel in 2012. The weighted average price per WMT of saprolite ore and limonite ore sold to our Japanese and Chinese customers in 2013 amounted to $20.03 compared to $24.40 in 2012.

We own 60% of Rio Tuba Nickel Mining Corporation ("RTN"), which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of nickel ore was ₱3,035.8 million in 2013 as compared to ₱3,994.1 million in 2012, a decrease of ₱958.3 million, or 24%. RTN sold an aggregate 5,774.4 thousand WMT of nickel ore in 2013 as compared to an aggregate 5,626.4 thousand WMT of nickel ore sold in 2012. The volume of saprolite ore sold to Japanese and Chinese customers decreased by 546.6 thousand WMT or 24%, while the volume of limonite ore sold to Chinese customers and CBNC increased by 694.6 thousand WMT, or 21%.

RTN's revenue from sale of limestone ore was ₱153.8 million in 2013 as compared to ₱44.1 million in 2012, an increase of ₱109.7 million or 249%. The increase in limestone revenue was due mainly to the start of production of RTN's limestone operation at the Botok area. As a result, a total of 211.6 thousand WMT of limestone ore was delivered to CBNC this year compared to the 59.0 thousand WMT delivered last year.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mining operations. TMC's revenue from sale of ore was ₱3,109.1 million in 2013 as compared to ₱3,093.9 million in 2012, an increase of ₱15.2 million, or 0.5%. TMC sold an aggregate 3,893.1 thousand WMT of nickel ore in 2013 as compared to an aggregate 2,381.5 thousand WMT of nickel ore in 2012. The volume of saprolite ore sold to customers from Japan and China decreased by 254.8 thousand WMT, or 15%, while the volume of limonite ore sold to Chinese customers increased by 892.2 thousand WMT, or 126%. In addition, beginning April 2013 TMC started to deliver limonite ore to THNC and sold 874.2 thousand WMT during the year.

We own 100% of Cagdianao Mining Corporation ("CMC"), which owns and operates the Cagdianao mining operations. CMC's revenue from sale of ore was ₱737.9 million in 2013 as compared to ₱1,130.0 million in 2012, a decrease of ₱392.1 million, or 35%. CMC sold an aggregate 888.8 thousand WMT of nickel ore in 2013 as compared to an aggregate 1,085.6 thousand WMT of nickel ore in 2012. The volume of saprolite ore sold to Japanese and Chinese customers increased by 60.0 thousand WMT or 21%. However, only 538.5 thousand WMT of limonite ore was sold to Chinese customers in 2013 compared to 795.3 thousand WMT in 2012.

We own 100% of Hinatuan Mining Corporation ("HMC"), which owns and operates the Taganaan mining operations. HMC's revenue from sale of ore was ₱3,438.9 million in 2013 as compared to ₱2,881.2 million in 2012, an increase of ₱557.7 million, or 19%. In 2013, HMC sold an aggregate of 99.0 thousand WMT of saprolite ore to Japanese and Chinese customers and 3,342.9 thousand WMT of limonite ore to Chinese customers whereas in 2012 HMC sold 2,636.7 thousand WMT of limonite ore to Chinese customers only.

Services and Others
Our revenue from services and others was ₱634.0 million in 2013 as compared to ₱463.6 million in 2012, an increase of ₱170.4 million, or 37%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fees charged by TMC to THNC for the use of its pier facility. The main reason for the sudden increase in our revenues from services and others in 2013 was due to the materials handling and other ancillary services provided by TMC to THNC which started only in January 2013.

Costs and Expenses
Our costs and expenses amounted to ₱7,562.4 million in 2013 as compared to ₱7,458.0 million in 2012, an increase of ₱104.4 million, or 1%.

Cost of Sales
Our cost of sales was ₱4,489.3 million in 2013 as compared to ₱4,467.2 million in 2012, an increase of ₱22.1 million, or 0.5%. The slight increase in cost of sales was due to the combination of higher volume of production and shipments but lower production cost.

Cost of Services
Cost of services was ₱335.3 million in 2013 as compared to ₱260.4 million in 2012, an increase of ₱74.9 million, or 29%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. In 2013, TMC started to provide materials handling and other services to THNC wherein the cost incurred in providing these services was added in the cost of services.

Shipping and Loading Costs
Shipping and loading costs were ₱1,398.8 million in 2013 as compared to ₱1,400.6 million in 2012, a decrease of ₱1.8 million, or 0.1%. Despite of higher volume of production and shipments in 2013, the movement in shipping and loading costs was only minimal because the Group utilizes its newly acquired equipment and in-house personnel for its ship loading activities instead of engaging a third party contractor which resulted to lower contract fees and other service fees.

Excise Taxes and Royalties
Our excise taxes and royalties were ₱648.6 million in 2013 as compared to ₱707.9 million in 2012, a decrease of ₱59.3 million, or 8%. The decrease in excise taxes and royalties was brought mainly by the significant decline in our sales revenue from RTN and CMC in 2013.

Marketing
Our marketing expenses were ₱65.6 million in 2013 as compared to ₱94.4 million in 2012, a decrease of ₱28.8 million, or 30%. The decrease in our 2013 marketing expenses was mainly attributable to the decline in our sales revenue subject to the commission or marketing fee.

General and Administrative
General and administrative expenses were ₱624.8 million in 2013 as compared to ₱527.6 million in 2012, an increase of ₱97.2 million, or 18%. The higher expenses in 2013 were attributable mainly to the increase in taxes and licenses, from ₱66.2 million to ₱80.5 million, due to settlement of tax deficiencies and payment of business taxes; increase in personnel cost, from ₱173.8 million to ₱223.1 million, due to higher employee bonuses; and increase in other administrative expenses such as rentals and building dues.

Finance Income
Our finance income was ₱166.8 million in 2013 as compared to ₱235.0 million in 2012, a decrease of ₱68.2 million, or 29%. The decrease was brought mainly by lower interest rates from time deposits and other investments in 2013 as compared in 2012.

Finance Expenses
Our finance expense was ₱128.3 million in 2013 as compared to ₱114.5 million in 2012, an increase of ₱13.8 million, or 12%. The increase was primarily due to guarantee service fee which increased from ₱84.0 million to ₱104.2 million. The guarantee service fee is related to the Taganito HPAL project.

Equity in Net Losses of an Associate
The equity in net losses of an associate was ₱184.7 million in 2013 as compared to ₱114.6 million in 2012, an increase of ₱70.1 million, or 61%. The movement was primarily due to increase in net loss of THNC in 2013 resulting from non-capitalizable supplies, equipment and workshop tools incurred by THNC during the year.

Other Income - net
Our other income in 2013 was ₱309.8 million as compared to ₱300.3 million in 2012. Other income - net was primarily consists of dividend income from CBNC, net foreign exchange gains or losses, gain on sale of property and equipment and investment properties, provision for impairment losses and miscellaneous income and expenses.

Provision for (Benefit from) Income Tax
Provision for income tax was ₱1,124.2 million in 2013 compared to ₱1,334.7 million in 2012, a decrease of ₱210.5 million, or 16%. Our current provision for income tax in 2013 was ₱1,169.5 million compared to ₱1,264.3 million in 2012, a decrease of ₱94.8 million, or 8% primarily due to the decrease in our taxable income in 2013 resulting from lower revenues. Our benefit from deferred income tax in 2013 was ₱45.3 million as compared to a provision for deferred income tax of ₱70.4 million in 2012, an increase of ₱115.7 million, or 164%, resulting mainly from the de-recognition of deferred income tax asset on net operating loss carry-over (NOLCO) amounting to ₱188.2 million in 2012 while there was none in 2013.

Net Income
As a result of the foregoing, our consolidated net income was ₱2,586.4 million in 2013 compared to ₱3,120.3 million in 2012. Net of non-controlling interests, our net income was ₱2,053.7 million in 2013 as compared to ₱2,207.2 million in 2012, a decrease of ₱153.5 million, or 7%.

Calendar year ended December 31, 2012 compared with calendar year ended December 31, 2011

Revenues
Our total revenues were ₱11,606.9 million in 2012 as compared to ₱12,694.7 million in 2011, a decrease of ₱1,087.8 million, or 9%.

Sale of ore
We sold an aggregate 11,730.2 thousand WMT of nickel ore in 2012, an increase of 13% compared to 10,386.8 thousand WMT of nickel ore in 2011. Our sales for this year included 4,236.6 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 4,142.1 thousand WMT of limonite ore to our Chinese customers and 3,351.5 thousand WMT of limonite ore to CBNC compared to sales of 3,954.9 thousand WMT, 3,455.0 thousand WMT and 2,976.9 thousand WMT, respectively, in 2011.

Our revenue from sale of nickel ore was ₱11,143.3 million in 2012 as compared to ₱12,230.3 million in 2011, a decrease of ₱1,087.0 million, or 9%. The decrease in revenue was due both to lower ore prices and appreciation of peso as against US Dollar. Our realized LME nickel price in 2012, applicable to sales of high and medium grade saprolite ore sold to our Japanese and Chinese customers and sales of limonite ore to Chinese customers and CBNC, averaged $8.10 per pound of payable nickel compared to $10.53 per pound of payable nickel in 2011. The weighted average price per WMT of low grade saprolite ore and limonite ore sold to our Chinese customers in 2012 amounted to $24.40 compared to $24.47 in 2011.

We own 60% of RTN, which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of nickel ore was ₱3,994.1 million in 2012 as compared to ₱5,863.7 million in 2011, a decrease of ₱1,869.6 million, or 32%. RTN sold an aggregate 5,626.4 thousand WMT of nickel ore in 2012 as compared to an aggregate 5,099.1 thousand WMT of nickel ore sold in 2011. The volume of saprolite ore sold to Japanese and Chinese customers increased by 152.6 thousand WMT or 7%, while the volume of limonite ore sold to CBNC increased by 374.7 thousand WMT, or 13%.

RTN's revenue from sale of limestone ore was ₱44.1 million in 2012 as compared to ₱100.2 million in 2011, a decrease of ₱56.1 million or 56%. The decrease was due to lower volume delivered in 2012, from 146.0 thousand WMT in 2011 to 59.0 thousand WMT in 2012.

We own 65% of TMC, which owns and operates the Taganito mining operations. TMC's revenue from sale of ore was ₱3,093.9 million in 2012 as compared to ₱2,751.9 million in 2011, an increase of ₱342.0 million, or 12%. TMC sold an aggregate 2,381.5 thousand WMT of nickel ore in 2012 as compared to an aggregate of 1,664.8 thousand WMT of nickel ore in 2011. The volume of saprolite ore sold to customers from Japan and China increased by 658.2 thousand WMT, or 65%. In addition, TMC sold 710.1 thousand WMT of limonite ore to Chinese customers in 2012 compared to 651.5 WMT of limonite ore in 2011.

We own 100% of CMC, which owns and operates the Cagdianao mining operations. CMC's revenue from sale of ore was ₱1,130.0 million in 2012 as compared to ₱1,723.7 million in 2011, a decrease of ₱593.7 million, or 34%. CMC sold an aggregate 1,085.6 thousand WMT of nickel ore in 2012 as compared to an aggregate 1,034.0 thousand WMT of nickel ore in 2011. The volume of saprolite ore sold to Japanese and Chinese customers decreased by 413.4 thousand WMT or 59%. CMC also sold 795.3 thousand WMT of limonite ore to Chinese customers in 2012 compared to 330.3 thousand WMT in 2011.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of ore was ₱2,881.2 million in 2012 as compared to ₱1,790.7 million in 2011, an increase of ₱1,090.5 million, or 61%. HMC sold an aggregate 2,636.7 thousand WMT of nickel ore to Chinese customers in 2012 as compared to 2,588.9 thousand WMT of nickel ore in 2011.

Costs and Expenses

Our costs and expenses amounted to ₱7,458.0 million in 2012 as compared to ₱6,231.9 million in 2011, an increase of ₱1,226.1 million, or 20%.

Cost of Sales

Our cost of sales was ₱4,467.2 million in 2012 as compared to ₱3,349.7 million in 2011, an increase of ₱1,117.5 million, or 33%. The increase in cost of sales was due to higher volume of production and shipments and increase in production costs arising from mine and road maintenance, cost of ore beneficiation, ore retrieving and work related to environmental activities.

Cost of Services

Cost of services was ₱260.4 million in 2012 as compared to ₱214.3 million in 2011, an increase of ₱46.1 million, or 22%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and costs of maintaining the pier facility used by THNC. Items which contributed to the increase in cost of services include depreciation and depletion which increased from ₱72.8 million in 2011 to ₱100.7 million in 2012, and equipment operating costs from ₱65.0 million to ₱78.7 million.

Shipping and Loading Costs

Shipping and loading costs were ₱1,400.6 million in 2012 as compared to ₱1,286.1 million in 2011, an increase of ₱114.5 million, or 9%. The increase was due to higher contract fees from ₱769.6 million to ₱857.5 million, as a result of the increase in volume shipped in 2012 and additional LCTs hired to cover for down-time of company-owned LCT's. The foregoing also resulted to higher supplies and fuel, oil and lubricant costs from ₱225.1 million to ₱271.3 million.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱707.9 million in 2012 as compared to ₱736.3 million in 2011, a decrease of ₱28.4 million, or 4%. The decrease in excise taxes and royalties was a result of the decrease in our revenue in 2012.

Marketing

Our marketing expenses were ₱94.4 million in 2012 as compared to ₱68.2 million in 2011, an increase of ₱26.2 million, or 38%. The increase in marketing expenses was mainly attributable to the increase in our sales revenue subject to the commission or marketing fee.

General and Administrative
General and administrative expenses were ₱527.6 million in 2012 as compared to ₱577.4 million in 2011, a decrease of ₱49.8 million, or 9%. The lower expenses in 2012 was attributable mainly to decrease in personnel costs from ₱276.6 million to ₱173.8 million resulting from lower pension cost and less accrual of cost of share-based payment.

Finance Income
Our finance income was ₱235.0 million in 2012 as compared to ₱208.4 million in 2011, an increase of ₱26.6 million, or 13%. Our finance income in 2012 consists of ₱226.4 million of interest income on our cash balances and other investments and ₱8.6 million gains from disposal of AFS financial assets and investment in funds. Our finance income in 2011 was consisted only of ₱208.4 million interest income on our cash balances and other investments

Finance Expenses
Our finance expense was ₱114.5 million in 2012 as compared to ₱66.6 million in 2011, an increase of ₱47.9 million, or 72%. The increase was primarily due to guarantee service fee which increased from ₱26.6 million to ₱84.0 million as a result of the additional loan drawn by THNC.

Equity in Net Losses of an Associate
The equity in net losses of an associate was ₱114.6 million in 2012 as compared to ₱196.2 million in 2011, a decrease of ₱81.6 million, or 42%. The movement was primarily due to decrease in net loss of THNC in 2012.

Other Income - net
Our other income in 2012 was ₱300.3 million as compared to ₱745.2 million in 2011. Other income - net was primarily consists of dividend income from CBNC, which decreased from ₱434.2 million to ₱191.9 million, and net foreign exchange losses which moved from a ₱39.7 million gain to a ₱123.5 million loss due to the appreciation of the peso relative to the U.S. dollar. Further, in 2011 the Group recognized provisions for impairment losses on deferred mine exploration costs, advances to claim owners, input tax and inventory losses amounting to a total of ₱103.3 million whereas there was none in 2012. Due to the foregoing the net decrease in other income – net in 2012 was partially reduced.

Provision for (Benefit from) Income Tax
Provision for income tax was ₱1,334.7 million in 2012 compared to ₱1,686.0 million in 2011, a decrease of ₱351.3 million, or 21%. Our current provision for income tax in 2012 was ₱1,264.3 million compared to ₱1,619.8 million in 2011, a decrease of ₱355.5 million, or 22% primarily due to the decrease in our income in 2012. Our provision for deferred income tax in 2012 was ₱70.4 million as compared to ₱66.2 million in 2011, an increase of ₱4.2 million, or 6%. The increase was due to recognition of deferred income tax benefit on additional NOLCO, unrealized foreign exchange losses, excess of minimum corporate income tax over regular corporate income tax and realization of prior year's unrealized foreign exchange gains during the year.

Net Income
As a result of the foregoing, our consolidated net income was ₱3,120.3 million in 2012 compared to ₱5,467.6 million in 2011. Net of noncontrolling interests, our net income was ₱2,207.2 million in 2012 as compared to ₱3,537.8 million in 2011, a decrease of ₱1,330.6 million, or 38%.

Calendar year ended December 31, 2011 compared with calendar year ended December 31, 2010

Revenues
Our total revenues were ₱12,694.7 million in 2011 as compared to ₱8,336.0 million in 2010, an increase of ₱4,358.7 million, or 52%.

Sale of ore
Our revenue from sale of ore was ₱12,230.3 million in 2011 as compared to ₱8,074.3 million in 2010, an increase of ₱4,156.0 million, or 51%. The increase in revenue was due both to a higher volume of nickel ore sold, mainly to our Chinese customers, and higher ore prices. Our realized LME nickel price in 2011, applicable to sales of high and medium grade saprolite ore sold to our Japanese and Chinese customers and sales of limonite ore to CBNC, averaged $10.53 per pound of payable nickel compared to $9.61 per

pound of payable nickel in 2010. The weighted average price per WMT of low grade saprolite ore and limonite ore sold to our Chinese customers in 2011 amounted to $24.47 compared to $18.15 in 2010. The increased demand as well as higher prices for our various types of ore was largely due to the increase in both the nickel pig iron and carbon steel production in China.

We sold an aggregate 10,386.8 thousand WMT of nickel ore in 2011 as compared to 8,339.2 thousand WMT of nickel ore in 2010. Our sales in 2011 included 3,954.9 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 3,455.0 thousand WMT of limonite ore to our Chinese customers and 2,976.9 thousand WMT of limonite ore to CBNC compared to sales of 3,217.4 thousand WMT, 2,432.5 thousand WMT and 2,689.3 thousand WMT, respectively, in 2010.

We own 60% of RTN, which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of ore was ₱5,863.7 million in 2011 as compared to ₱3,272.6 million in 2010, an increase of ₱2,591.1 million, or 79%. RTN sold an aggregate 5,099.1 thousand WMT of nickel ore in 2011 as compared to an aggregate 3,876.4 thousand WMT of nickel ore sold in 2010. The volume of saprolite ore sold to Japanese and Chinese customers increased by 866.9 thousand WMT or 69%, while the volume of limonite ore sold to CBNC increased by 355.9 thousand WMT, or 14%.

RTN's revenue from sale of limestone ore was ₱100.3 million in 2011 as compared to ₱130.2 million in 2010, a decrease of ₱29.9 million or 23%. The decrease was due to lower volume delivered in 2011, from 224.9 thousand WMT in 2010 to 146.0 thousand WMT in 2011.

We own 65% of TMC, which owns and operates the Taganito mining operations. TMC's revenue from sale of ore was ₱2,751.9 million in 2011 as compared to ₱2,089.0 million in 2010, an increase of ₱662.9 million, or 32%. TMC sold an aggregate 1,664.8 thousand WMT of nickel ore in 2011 as compared to an aggregate 1,200.0 thousand WMT of nickel ore in 2010. The volume of saprolite ore sold to customers from Japan and China decreased by 118.4 thousand WMT, or 10%. In addition, TMC sold 651.5 thousand WMT of limonite ore to Chinese customers in 2011 and 68.3 thousand WMT of limonite ore to CBNC in 2010.

Most of the limonite ore mined by TMC is being stockpiled in preparation for the expected commencement of operations of the Taganito HPAL facility by mid-2013. Following the signing of a Stockholders' Agreement on September 15, 2010 among the shareholders of the facility, which included the terms of an off-take of limonite ore from TMC to the facility, expenses associated with the mining of limonite ore are being charged to inventory, while prior to the signing of the Stockholders' Agreement, such costs were expensed during the period that they were incurred.

We own 100% of CMC, which owns and operates the Cagdianao mining operations. CMC's revenue from sale of ore was ₱1,723.7 million in 2011 as compared to ₱1,225.8 million in 2010, an increase of ₱497.9 million, or 41%. CMC sold an aggregate 1,034.0 thousand WMT of nickel ore in 2011 as compared to an aggregate 896.0 thousand WMT of nickel ore in 2010. The volume of saprolite ore sold to Japanese and Chinese customers increased by 138.5 thousand WMT or 24%. CMC also sold 330.3 thousand WMT of limonite ore to Chinese customers in 2011 compared to 330.6 thousand WMT in 2010.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of ore was ₱1,790.7 million in 2011 as compared to ₱1,356.7 million in 2010, an increase of ₱434.0 million, or 32%. HMC sold an aggregate 2,588.9 thousand WMT of saprolite and limonite ore to Chinese customers in 2011 as compared to 2,366.9 thousand WMT in 2010.

Services and Others
Our revenue from services and others was ₱464.4 million in 2011 as compared to ₱261.7 million in 2010, an increase of ₱202.7 million, or 77%. In 2010, services revenue mainly consists of hauling and manpower and other ancillary services that RTN provides to CBNC. In 2011, additional revenues were earned from usage fees charged by TMC to THNC for the use of its newly constructed pier facility. Further, the Group also earned commission income in 2011.

<u>Costs and Expenses</u>
Our costs and expenses amounted to ₱6,231.9 million in 2011 as compared to ₱5,060.5 million in 2010, an increase of ₱1,171.4 million, or 23%.

Cost of Sales
Our cost of sales was ₱3,349.7 million in 2011 as compared to ₱3,062.0 million in 2010, an increase of ₱287.7 million, or 9%. The increase was largely due to higher volume of production and shipments.

Cost of Services
Cost of services was ₱214.3 million in 2011 as compared to ₱144.0 million in 2010, an increase of ₱70.3 million, or 49%. Cost of services largely consists of the cost of hauling, providing manpower and other ancillary services to CBNC and costs of maintaining the pier facility used by THNC. Items which contributed in the increase in cost of services include depreciation and depletion which increased from ₱17.7 million in 2010 to ₱72.8 million in 2011, and equipment operating costs from ₱31.8 million to ₱65.0 million.

Shipping and Loading Costs and Marketing Expenses
Shipping and loading costs were ₱1,286.1 million in 2011 as compared to ₱855.5 million in 2010, an increase of ₱430.6 million, or 50%. The increase was due to higher contract fees, from ₱511.4 million to ₱769.6 million, brought about by additional LCTs hired; increase in supplies and fuel, oil and lubricants, from ₱108.3 million to ₱225.1 million; and increase in depreciation and depletion, from ₱49.1 million to ₱102.5 million. The increase in shipping and loading costs and marketing expenses was related to the substantial increase in our sales volume in 2011.

Excise Taxes and Royalties
Our excise taxes and royalties were ₱736.3 million in 2011 as compared to ₱523.2 million in 2010, an increase of ₱213.1 million, or 41%. The increase in excise taxes and royalties was a result of the increase in our sale of ore in 2011.

General and Administrative
General and administrative expenses were ₱577.4 million in 2011 as compared to ₱473.5 million in 2010, an increase of ₱103.9 million, or 22%. The higher expenses in 2011 was primarily due to increase in personnel costs attributable to new key personnel hires at our subsidiaries and higher employee bonuses; and increase in depreciation expense due to acquisition of property and equipment.

Finance Income
Our finance income was ₱208.4 million in 2011 as compared to ₱130.8 million in 2010, an increase of ₱77.6 million, or 59%. Our finance income in 2011 consists of interest income on our cash balances and other investments amounting to ₱208.4 million. Our finance income in 2010 primarily consisted of ₱128.8 million of interest income on our cash balances and other investments and a ₱2.0 million gain in fair value of certain portfolio investments.

Finance Expense
Our finance expense was ₱66.6 million in 2011 as compared to ₱83.5 million in 2010, a decrease of ₱16.9 million, or 20%. Our finance expense in 2011 primarily consisted of ₱7.3 million interest expense on our long-term debt, ₱18.3 million loss on sale of AFS financial assets, guarantee service fee of ₱26.6 million, ₱10.4 million accretion interest on mine rehabilitation, and decommissioning and provision for impairment losses of ₱4.0 million related to trade and other receivables. Our finance expense in 2010 primarily consisted of a ₱47 million loss on our nickel commodity collar contracts, interest expense on our long-term loan of ₱10.9 million, ₱9.5 million loss on sale of AFS financial assets, guarantee service fee of ₱2.2 million, ₱9.2 million accretion interest on mine rehabilitation and decommissioning and provision for impairment losses of ₱4.7 million related to trade and other receivables.

Equity in Net Losses of an Associate
The equity in net losses of an associate was ₱196.2 million in 2011 as compared to ₱6.4 million in 2010, an increase of ₱189.8 million, or 2,966%. The movement was primarily due to significant increase in net loss of THNC in 2011, mainly as a result of the insurgency attack in October 2011.

Other Income (Charges) - net
Our other income in 2011 was ₱745.2 million as compared to other charges of ₱6.4 million in 2010. The turnaround was due largely to an inventory write-up on the long-term stockpile at our Rio Tuba mine in the amount of ₱573.1 million, and a ₱436.4 million dividends received by RTN from CBNC. These gains were partially offset by a ₱239.5 million casualty loss from damages incurred as a result of the insurgency

attack which occurred at the Taganito mine site. In 2010, we incurred a net foreign exchange loss of ₱482.1 million as a result of the decrease in value of our U.S. dollar denominated assets, primarily our cash and cash equivalents and portfolio investments. The higher net foreign exchange loss in 2010 was partially offset by our other income consisting of ₱120.2 million of dividend income, the majority of which was a dividend payment from CBNC to RTN, a ₱80.7 million gain resulting from the bargain purchase of La Costa Shipping and Lighterage Corporation, a company engaged in the chartering of LCTs, a ₱74.1 million reversal of accruals that we made in prior periods for vessel demurrage, ₱61.5 million of other services provided by RTN to CBNC, a ₱56.3 million reversal of allowance for inventory losses of nickel ore provided for in 2008, which inventory was sold in 2010 and a one-time fee of ₱33.7 million for the handling of TMC ore which was delivered to the CBNC HPAL facility.

Provision for (Benefit from) Income Tax
Provision for (benefit from) income tax was ₱1,686.0 million in 2011 compared to ₱946.8 million in 2010, an increase of ₱739.2 million, or 78%. Our current provision for income tax in 2011 was ₱1,619.8 million compared to ₱1,148.6 million in 2010, an increase of ₱471.2 million, or 41% primarily due to the increase in our income in 2011. Our provision for deferred income tax in 2011 was ₱66.2 million as compared to the benefit from deferred income tax of ₱201.8 million in 2010, an increase of ₱268.0 million, or 133% which was the result of a deferred income tax benefit on the write-up of long-term stockpile inventory which were partially offset by additional NOLCO, accrued SDMP and cost of share-based payment recognized in 2011. The deferred benefit in 2010 was the result of the reversal of the deferred income tax asset recognized on the Company's unrealized foreign exchange losses in 2010, partially offset by NOLCO recognized by the Parent Company in 2010.

Net Income
As a result of the foregoing, our consolidated net income was ₱5,467.6 million in 2011 compared to ₱2,371.9 million in 2010. Net of noncontrolling interests, our net income was ₱3,537.8 million in 2011 as compared to ₱1,546.9 million in 2010, an increase of ₱1,990.9 million, or 129%.

Financial Position

Calendar year as at December 31, 2013 and 2012

Total assets amounted to ₱28,913.5 million in 2013 compared to ₱27,179.2 million in 2012.

Current assets increased to ₱14,601.0 million in 2013 from ₱13,449.5 million in 2012 due mainly to the increase in cash and cash equivalents, from ₱9,263.5 million to ₱10,234.3 million, and available-for-sale (AFS) financial assets, from ₱1,086.1 million to ₱1,257.4 million. Cash and cash equivalents as of December 31, 2013 was higher due to lower acquisitions of property and equipment in 2013 than in 2012. In addition, the Group purchased additional AFS financial assets such as money market funds which yield better returns than time deposits.

Noncurrent assets increased from ₱13,729.7 million in 2012 to ₱14,312.5 million in 2013 due to increase in property and equipment from ₱5,949.9 million to ₱6,585.8 million, consisting mostly of acquisitions of various tractors, dump trucks and conveyor belt.

Total current liabilities increased to ₱1,309.0 million in 2013 from ₱1,275.7 million in 2012 which was attributable mainly to increase in trade and other payables from ₱864.0 million to ₱928.1 million. However, the increase in trade and other payables was slightly offset by the reduction in income tax payable by ₱31.7 million.

Total noncurrent liabilities increased to ₱2,392.8 million from ₱2,321.8 million as a result of the re-measurement of pension liability in compliance with the revised standard on employee benefits which requires immediate recognition of all past service cost in profit or loss in the period they occur and recognition of all actuarial gains or losses in ncome.

Equity - net of non-controlling interests increased to ₱20,490.1 million as at year ended 2013 from ₱18,876.4 million as at year ended 2012 due to net earnings in 2013.

Calendar year as at December 31, 2012 and 2011

Total assets amounted to ₱27,179.2 million in 2012 compared to ₱26,402.9 million in 2011.

Current assets decreased to ₱13,449.5 million in 2012 from ₱14,269.4 million in 2011 due mainly to the decrease in cash and cash equivalents, from ₱10,350.6 million to ₱9,263.5 million; and trade and other receivables, from ₱1,156.3 million to ₱937.9 million. The decrease was slightly offset by the increase in AFS financial assets from ₱660.2 million in 2011 to ₱1,086.1 million in 2012. In addition, other current assets increased from ₱94.3 million to ₱157.9 million as a result of additional input taxes claimed from purchases of applicable goods and services.

Noncurrent assets increased from ₱12,133.5 million in 2011 to ₱13,729.7 million in 2012 due largely to the increase in property and equipment from ₱4,216.8 million to ₱5,949.9 million, consisting mostly of acquisitions of various dump trucks, wheel loaders, excavators and other equipments.

Total current liabilities decreased to ₱1,275.7 million in 2012 from ₱1,637.8 million in 2011 which was attributable mainly to decrease in trade and other payables from ₱1,238.1 million to ₱864.0 million.

Total noncurrent liabilities decreased to ₱2,321.8 million from ₱2,532.5 million largely due to the decrease in long-term debt - net of current portion from ₱1,643.9 million to ₱1,422.7 million, deferred income tax liabilities - net from ₱585.6 million to ₱550.5 million and pension liability from ₱157.1 million to ₱136.5 million. On the other hand, the provision for mine rehabilitation and decommissioning increased to ₱132.5 million from ₱61.7 million as a result of the re-assessment and re-estimation of the obligation to be incurred in restoring the operating locations.

Equity - net of non-controlling interests increased to ₱18,876.4 million as at year ended 2012 from ₱17,874.0 million as at year ended 2011 due to net earnings in 2012.

Calendar year as at December 31, 2011 and 2010

Total assets amounted to ₱26,402.9 million in 2011 compared to ₱21,603.1 million in 2010.

Current assets increased to ₱14,269.4 million in 2011 from ₱9,858.6 million in 2010 due mainly to the increase in cash and cash equivalents from ₱6,806.0 million to ₱10,350.6 million and inventories from ₱1,416.4 million to ₱2,008.0 million. AFS financial assets also increased from ₱470.0 million to ₱660.2 million and other current assets from ₱53.0 million to ₱94.3 million.

Noncurrent assets increased from ₱11,744.5 million in 2010 to ₱12,133.5 million in 2011 due largely to the increase in long-term stock pile inventory – net of current portion from ₱965.0 million to ₱1,357.7 million and property and equipment from ₱3,859.7 million to ₱4,216.8 million, consisting mostly of the new pier facility at our Taganito mine, as well as additional acquisition of machinery and equipment. Investment property also increased from ₱50.8 million to ₱53.6 million and deferred income tax assets from ₱414.0 million to ₱501.9 million. The increase was slightly offset by the decrease in other noncurrent assets from ₱977.4 million to ₱724.0 million.

Total current liabilities increased to ₱1,637.8 million in 2011 from ₱1,335.7 million in 2010 due to increases in trade and other payables from ₱935.2 million to ₱1,238.1 million and current portion of long-term debt from ₱78.4 million to ₱124.5 million. The increase was slightly offset by the decrease in income tax payable from ₱322.1 million to ₱275.2 million.

Total noncurrent liabilities likewise increased to ₱2,532.5 million from ₱2,123.8 million largely due to the increase in long-term debt - net of current portion to ₱1,643.9 million from ₱1,465.8 million and deferred income tax liabilities - net to ₱585.6 million from ₱469.8 million. Provision for mine rehabilitation and decommissioning increased from ₱55.4 million to ₱61.7 million due to accretion interest. Pension liability also increased from ₱49.0 million to ₱157.1 million due to re-measurement of pension liability.

Equity - net of non-controlling interests increased to ₱17,874.0 million as at year ended 2011 from ₱15,001.7 million as at year ended 2010 due to net earnings in 2011.

Cash Flows

Calendar year ended December 31, 2013, 2012 and 2011

The net cash flows from operating activities amounted to ₱4,120.9 million in 2013, compared to ₱4,079.0 million in 2012 and ₱5,493.7 million in 2011, as proceeds from the sale of ore were higher in 2013 and 2011 as compared in 2012.

Net cash used for investment activities amounted to ₱1,913.1 million, ₱3,298.7 million and ₱819.2 million in 2013, 2012 and 2011, respectively, mainly for the acquisitions of property and equipment and net acquisitions of AFS financial assets. The net cash used in investment activities was slightly offset by the proceeds received from the sale of property and equipment and investment properties in 2013, and dividends received from CBNC in 2012 and 2011.

Net cash used in financing activities was ₱1,310.1 million, ₱1,759.1 million and ₱1,138.1 million in 2013, 2012 and 2011, respectively, mostly for the payment of cash dividends and payments of long-term debt.

As at December 31, 2013, 2012 and 2011, cash and cash equivalents amounted to ₱10,234.3 million, ₱9,263.5 million and ₱10,350.6 million, respectively.

Top Five (5) Key Performance Indicators

LME price

We typically sell high- and low-grade saprolite ore to PAMCO and SMM under long-term agreements and we are the exclusive supplier of limonite ore, also under a long-term agreement, to the Coral Bay HPAL facility and Taganito HPAL facility. The price of high and low-grade saprolite nickel ore sold to our customers, Coral Bay HPAL facility and the Taganito HPAL facility is determined based on a payable percentage of the nickel contained in the ore, multiplied by average LME nickel prices over specified quotational periods. The payable percentage of the nickel contained in the ore is correlated, in a non-linear manner, with LME nickel prices, with higher LME prices resulting in a higher payable percentage of nickel and vice versa. Accordingly, higher LME nickel prices results both in a higher percentage of payable nickel in our ore to these customers as well as in higher prices, and can therefore have a substantial effect on our overall revenue. Nickel prices and demand for nickel typically increase during periods of high global demand for stainless steel.

Nickel prices have historically exhibited considerable volatility. Nickel prices climbed from as low as US$4.25 per pound in March 2009 to a high of US$12.51 per pound in April 2010. After recent corrections, the nickel price was US$11.32 per pound at the end of 2010. The average LME nickel prices per pound in 2009, 2010, 2011, 2012 and 2013 were US$6.67, US$9.89, US$10.35, US$7.95 and US$6.80, respectively.

The sensitivity of our revenues to LME nickel prices is not completely linear, because, in our experience, when nickel prices reach certain levels, the demand for our limonite ore increases. As a result of this effect, very high nickel prices have, in the past, resulted in increased volumes of nickel ore sold, as well as increased prices for our recurring sales of saprolite ore to PAMCO and limonite ore to the Coral Bay HPAL facility under long-term contracts. Increases and decreases in the LME nickel price will have a broadly proportional effect on our revenues from these sales.

Volume

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

The type and grade of ore that we mine

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

Mine Site Cash Cost per Volume Sold

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

The mine site cash cost includes production and shipping and loading costs incurred by the Company in mining, handling and barging ore to customer's vessels, and excludes excise taxes and royalties.

The average mine site cash cost per volume sold in 2013 is ₱332.19 per WMT on the basis of aggregate cash costs of ₱4,720.4 million and a total sales volume of 14,210.0 thousand WMT of ore. This compares to ₱430.26 per WMT during the same period in 2012 on the basis of aggregate cash costs of ₱5,072.5 million and a total sales volume of 11,789.2 thousand WMT of ore.

In 2012, the Company engaged third party contractors to assist in the hauling and loading of ore Typically, the unit cost associated with the use of outside services is higher compared to costs incurred when volume handling is done by the Company. In 2013, the Company maximizes its own resources instead of engaging a third party contractor, thus the mine site cash cost was lower.

Currency exchange rates

We earn substantially all of our revenues in U.S. dollars while most of our expenses are paid in peso. The appreciation of the peso against the U.S. dollar reduces our revenue in peso terms. Accordingly, appreciation of the peso against the U.S. 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 and other portfolio investments are denominated in U.S. dollars, the appreciation of the peso against the U.S. dollar reduces the value of these assets in peso terms in our financial statements. Our current policy is not to hedge our exposure to foreign currency exchange risk.

The Company's average realized peso-to-dollar rates for 2013, 2012 and 2011 are ₱42.75, ₱42.22 and ₱43.15, respectively.

Liquidity and Capital Resources

In the years ended 2013, 2012 and 2011, 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 a throughput agreement 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 agreement have typically been sufficient to service our long-term debt.

As of December 31, 2013 and 2012, our working capital, defined as the difference between our current assets and current liabilities, was ₱13.3 billion and ₱12.2 billion, respectively. 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.

Off-balance sheet arrangements
We have not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

Item 7. Financial Statements

The audited financial statements are presented in Part V, Exhibits and Schedules.

Item 8. Information on Independent Accountants and other Related Matters

Our consolidated financial statements have been audited by SyCip Gorres Velayo & Co ("SGV & Co") (a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

Ms. Eleanore A. Layug is our new and current audit partner and has served the Company for less than five years following the regulatory policy of audit partner rotation every five years. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period.

The following table sets out the aggregate fees incurred in 2013 and 2012 for professional services rendered by SGV & Co.:

	2013	2012
	(In Thousands)	
Audit and Audit-Related Services	₱10,794	₱9,809
Non-Audit Services	1,657	1,779
Total	₱12,451	₱11,588

Our Audit Committee pre-approve the terms of the annual audit services engagement. They also approve, if necessary, any changes in terms resulting from changes in audit scope.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. List of Directors, Executive Officers and Committees of the Issuer

The Board is principally responsible for the Company's overall direction and governance. The Company's Articles of Incorporation provide for nine members of the Board, who shall be elected by the stockholders. At present, two of the Company's nine directors are independent directors. The Board holds office for one year and until their successors are elected and qualified in accordance with the by-laws.

Directors

The following table sets forth information regarding our Directors.

As of the date of this Prospectus, our directors and executive officers are as follows:

Name	Age	Citizenship	Position	Period during which individual has served as such
Manuel B. Zamora, Jr.	76	Philippine National	Executive Director, Chairman	July 11, 2008 to present
Gerard H. Brimo	63	Philippine National	Executive Director, President and Chief Executive Officer	August 1, 2009 to present
Philip T. Ang	73	Philippine National	Executive Director and Vice-Chairman	July 11, 2008 to present
Luis J. L. Virata	60	Philippine National	Non-Executive Director	July 11, 2008 to present
Takanori Fujimura	70	Japanese National	Non-Executive Director	September 20, 2010 to present
Takeshi Kubota	59	Japanese National	Non-Executive Director	September 20, 2010 to present
Martin Antonio G. Zamora	42	Philippine National	Executive Director, Senior Vice President for Marketing and Strategic Planning	July 30, 2013 to present
Fulgencio S. Factoran, Jr.	71	Philippine National	Independent Director	September 20, 2010 to present
Frederick Y. Dy	59	Philippine National	Independent Director	September 24, 2010 to present

On July 23, 2013, Mr. Ronaldo B. Zamora retired from his directorship which became effective immediately. In view of this, the Company's Senior Vice President for Marketing and Strategic Planning, Mr. Martin Antonio G. Zamora, was elected as director on July 30, 2013.

Mr. Manuel B. Zamora, Jr. is a majority shareholder of Mantra Resources Corp. Mr. Philip T. Ang is a majority shareholder of Ni Capital Corporation.

Certain information on the business and working experience of our Directors and Executive Officers is set out below:

Manuel B. Zamora, Jr. is the Chairman and a founder of the Company. He is the Chairman of RTN and TMC. Mr. Zamora is also a director of a number of other companies in the Philippines, including CLSA Exchange Capital Inc. ("CLSA"). He was previously Chairman and President of the Chamber of Mines of the Philippines. Mr. Zamora is a lawyer and a member of the Integrated Bar of the Philippines. The Chairman has not been CEO of the Company since August 2009.

Gerard H. Brimo is a director and the President and Chief Executive Officer of the Company and the President of RTN, TMC, HMC and CMC. Mr. Brimo joined the Company in 2008 and is also the President of two privately owned exploration companies, Newminco Nickel Mining Corp. and Newminco Pacific Mining Corp. Mr. Brimo began his mining career with Philex Mining Corp. as a Vice

President in 1985 and served as Chairman and Chief Executive Officer of Philex Mining from 1994 until his retirement from the company in December 2003. He was President of the Chamber of Mines of the Philippines from 1993 to 1995 and Chairman from 1995 to 2003. Mr. Brimo received a Bachelor of Science in Business Administration from Manhattan College in New York and a Master in Business Management from the Asian Institute of Management.

Philip T. Ang is the Vice Chairman of the Company. He is also presently a director of Security Bank Corporation and two of its subsidiaries, namely SB Capital Investment Corporation, and Security Finance, Inc.

Luis J. L. Virata is a director of the Company. He is presently the Chairman and Chief Executive Officer of CLSA, an investment banking joint venture formed in 2001 between CLSA Emerging Markets and Exchange Capital, which Mr. Virata formed in 1998. Presently, Mr. Virata is also the President and Chief Executive Officer of Coastal Road Corp., Chairman and President of Exchange Properties Resources Corp., Founder and Trustee of Asia Society and a director of Benguet Corporation, Huntsman Foundation and Group 4 Securitas. Mr. Virata has previously held positions with Dillon, Read and Co., Crocker National Bank, Bankers Trust Company, Philippine Airlines, NSC Properties, Inc., The Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp. Mr. Virata received a Master of Business Administration from the Wharton School, University of Pennsylvania in 1979, and a Bachelor of Arts and Master of Arts in Economics from Trinity College, Cambridge University in 1976.

Takanori Fujimura is a director of the Company. Mr. Fujimura joined the Company in 2009 and he is also the President of CBNC.

Takeshi Kubota is a director of the company. Mr. Kubota joined the Company in 2010 and is also currently a director and Managing Executive Officer of SMM and General Manager of its Non-Ferrous Metals Division.

Martin Antonio G. Zamora is the Senior Vice President of the Company and is responsible for the marketing and strategic functions of the NAC Group. He is likewise the President of Samar Nickel Mining Resources Corporation. Prior to joining NAC in 2007, Mr. Zamora was a director and head of the Philippines of UPC Renewables, a global developer, owner, and operator of wind farms and solar facilities. He also has more than 10 years' experience in corporate finance and investment banking, having held positions with firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SyCipGorresVelayo & Co.

Fulgencio S. Factoran, Jr. is an independent director of the Company. Mr. Factoran joined the Company in 2010 and is also a Director of Banco de Oro Leasing & Finance, Chairman of GAIA South, Inc., Chairman of Agility, Inc., and a Director of Geo-Surveys & Mapping, Inc. He was previously a Director of Central Azucarera de Tarlac and Business Certification International, Ltd. He previously held various government positions, such as Trustee of the Government Service and Insurance System, Secretary of the Department of Environment and Natural Resources, Chairman of the National Electrification Administration, Chairman of the Philippine Charity Sweepstakes, Director of the National Development Corp., Trustee of the Development Academy of the Philippines and Deputy Executive Secretary of the Office of the President of the Philippines.

Frederick Y. Dy is an independent director of the Company. Mr. Dy joined the company in 2010 and is also the Chairman and a director of Security Bank Corporation, Chairman of City Industrial Corporation, Vice-Chairman of St. Luke's Medical Center and a director of Ponderosa Leather Goods Company, Inc.

It is the policy of the Company to encourage attendance of shareholders, including institutional shareholders, at the annual shareholders' meeting. In furtherance of this policy, annual meetings are held at an easily accessible venue at a reasonable time on a business day. The schedule of the meeting is announced at least 45 days in advance. The formal notice, the agenda and the Information Statement are distributed to shareholders as early as practicable and in no case later than 15 business days prior to the meeting. The BOD meets at least 6 times a year.

No director is a former CEO of the Company in the past two years.

In 2013, the attendance of each director follows:

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel B. Zamora, Jr.	June 3, 2013	6	6	100%
Member	Philip T. Ang	June 3, 2013	6	5	83%
Member	Gerard H. Brimo	June 3, 2013	6	6	100%
Member	Luis J. Virata	June 3, 2013	6	5	83%
Member	Takanori Fujimura	June 3, 2013	6	6	100%
Member	Takeshi Kubota	June 3, 2013	6	5	83%
Member	Martin Antonio G. Zamora	June 3, 2013	6	2	100%**
Member	Ronaldo B. Zamora*	June 3, 2013	6	4	100%**
Independent Director	Fulgencio S. Factoran, Jr.	June 3, 2013	6	6	100%
Independent Director	Frederick Y. Dy	June 3, 2013	6	6	100%

The Company requires directors and officers to report their dealings in shares of the Company within 3 business days.

Terms of Office
The BOD of the Company are elected each year to serve until the next annual meeting of stockholders and until their successors are elected and qualified, except in case of death, resignation, disqualification or removal from office.

The Company's independent directors have served three (3) years since their election as independent directors. The Company's independent directors and non-executive directors do not serve on more than five boards of publicly listed companies and its executive directors do not serve on more than two boards of listed companies outside of the Group.

Executive Officers
Our Executive Officers, together with our Executive Directors, are responsible for our day-to-day management and operations. The following table sets forth information regarding our Executive Officers.

Name	Age	Citizenship	Position
Jose S. Saret	67	Philippine National	Chief Operating Officer
Emmanuel L. Samson	55	Philippine National	Chief Financial Officer
Raymundo B. Ferrer	58	Philippine National	Senior Vice President for Security and Administration
Rolando R. Cruz	54	Philippine National	Vice President of Operations
Jose Roderick F. Fernando	41	Philippine National	Vice President for Legal and Human Resources/Assistant Corporate Secretary/Compliance Officer
Koichi S. Ishihara	41	Japanese National	Vice President for Marketing & Purchasing
Jose Bayani D. Baylon	52	Philippine National	Vice President for Corporate Communications
Ma. Angela G. Villamor	49	Philippine National	Vice President for Internal Audit
Barbara Anne C. Migallos	60	Philippine National	Corporate Secretary

Information on the business and working experience of our other Executive Officers is set out below:

Jose S. Saret is the Senior Vice President and Chief Operating Officer of the Company and is the head of operations and exploration for all of the NAC Group's mining properties. He is likewise the Senior Vice President for Operations of RTN since 1993. He also has more than 20 years experience in gold and copper ore open pit mining, base metals exploration and geothermal deep drilling having held positions with Permint Minerals Sdn. Bhd. (Malaysia), Apex Mining Co., Inc., Philippine Geothermal, Inc. and Western Minolco Corporation.

Emmanuel L. Samson is the Senior Vice President and Chief Financial Officer of the Company and is responsible for the finance and treasury functions of the NAC Group. Prior to joining NAC in 2006, Mr. Samson was Senior Country Officer for Credit Agricole Indosuez in the Philippines. Mr. Samson has 11 years experience in the Philippine equities markets having held positions with W.I. Carr Indosuez Securities (Phils.) Inc., Amon Securities Corporation and Rizal Commercial Banking Corporation.

Raymundo B. Ferrer is the Senior Vice President for Security and Administration. He joined Nickel Asia Corporation in May 2012. He is a retired Lieutenant General from the Armed Forces of the Philippines. Some of his previous assignments prior to his compulsory retirement on January 23, 2012 was Commander of Western Mindanao Command, Commander of Eastern Mindanao Command, Commander of the 6th Infantry Division, Philippine Army operating in Central Mindanao; Commander of the 1st Infantry Division, Philippine Army operating in Zamboanga Peninsula; and Commander of 103rd Infantry Brigade in Basilan Province.

Rolando R. Cruz is the Vice President of Operations of the Company and is responsible for the operations and engineering functions of the Company's projects and the Company's Surigao and Dinagat-based operations. Mr. Cruz is a licensed mining engineer in the Philippines with 25 years of professional experience in both mining operations and project development in gold, copper, chromite, concrete aggregates, nickel, and oil sands deposits using the open pit and underground bulk mining methods. He has held various positions with firms such as Albian Sands Energy, Inc. (Canada), Berong Nickel Corporation, Concrete Aggregates Corporation, Philex Mining Corporation, and Benguet Corporation.

Jose Roderick F. Fernando is the Vice President and Assistant Corporate Secretary of the Company and is responsible for the Group's legal and human resources matters. He is likewise the Corporate Secretary of NAC's subsidiaries. Prior to joining the Company in 2008, Mr. Fernando was a practicing lawyer with BalaneTamaseAlampay Law Office for 7 years, specializing in commercial litigation, labor and corporate law. Mr. Fernando is a member of the Integrated Bar of the Philippines and is a Commissioner of its Commission on Bar Discipline. He is also licensed to practice law in the state of New York.

Koichi S. Ishihara is the Vice President of the Company and is responsible for marketing and purchasing functions of the NAC Group. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of Pacific Metals Co. Ltd. handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant.

Jose Bayani D. Baylon is the Vice President for Corporate Communications. He joined the Company in June 2012. He has almost two decades of experience in the field of corporate communications and public affairs. Prior to joining NAC, he was Vice President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and, prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for 9 years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001-2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001.

Ma. Angela G. Villamor is the Vice President of the Company and the Head of the Company's Internal Audit. She is responsible for reviewing the Company's organizational and operational controls, risk management policies, and governance. Prior to joining NAC in 2011, she was a Senior Director in the Assurance Division of SyCipGorresVelayo & Co. She also worked as Senior Manager in KPMG UAE.

Barbara Anne C. Migallos is the Corporate Secretary of the Company. She is the Managing Partner of Migallos and Luna Law Offices, and was a Senior Partner of RocoKapunanMigallos and Luna from 1986 to 2006. A practicing lawyer since 1980, Ms. Migallos focuses principally on corporate law, mergers and acquisitions, and securities law. She is a Director of Mabuhay Vinyl Corporation, a listed company, Philippine Resins Industries, Inc. and several other corporations, and is the Corporate Secretary of Philex Mining Corporation, Eastern Telecommunications Philippines, Inc. and other corporations. Ms. Migallos lectures regularly for the Supreme Court-mandated Continuing Legal Education program on the topics Corporate Governance, Securities Law and Ethics for Corporate Lawyers.

No director or senior officer of the Company is or has been in the past two years, a former employee or partner of the current external auditor.

Also, the Company discloses the transactions of its directors and officers as required by applicable law and regulation.

Committees

Our BOD is authorized under the by-laws to create committees, as it may deem necessary. Our BOD has constituted the following Committees and appointed the named Officers to effectively manage the operations of the Company:

Audit and Risk Committee

Aside from overseeing the internal and external auditors of the Company, the Audit and Risk Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to our management and shareholders of the continuous improvement of our risk management systems, business operations, and the proper safeguarding and use of our resources and assets. The Audit and Risk Committee provides a general evaluation and assistance in the overall improvement of our risk management, control and governance processes.

The Audit and Risk Committee is comprised of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Messrs. Gerard H. Brimo and Takanori Fujimura as members. All of the members of our Audit and Risk Committee are financially literate.

The Audit and Risk Committee reports to the Board and is required to meet at least once every three months.

The table below shows the attendance of Audit and Risk Committee Members during meetings:

Board	Name	No. of meetings held during the year	No. of meetings attended	%
Chairman	Frederick Y. Dy	4	4	100%
Member	Gerard H. Brimo	4	4	100%
Member	Takanori Fujimura	4	3	75%

The BOD, upon the recommendation of the Audit and Risk Committee, appointed the Company's Internal Auditor, who assumed office last April 1, 2011. The Internal Auditor shall report directly to the Audit and Risk Committee and shall be primarily tasked with monitoring the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

The Audit and Risk Committee has the following functions:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

- Perform oversight functions over the Company's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:
    - Any changes in accounting policies and practices
    - Major judgmental areas
    - Significant adjustments resulting from the audit
    - Going concern assumptions
    - Compliance with accounting standards
    - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report.
- Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Committee, which shall ensure that, in the performance of his work, the internal auditor shall be free from interference by outside parties.

Nominations Committee
The Nomination Committee is responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of its Board are competent and will foster the Company's long-term success and secure our competitiveness.

The Nomination Committee is comprised of Mr. Manuel B. Zamora, Jr. as Chairman of the Committee and Messrs. Takeshi Kubota and Fulgencio S. Factoran, Jr. as members, the latter being an Independent Director. The Nomination Committee reports directly to the Board and is required to meet at least once a year.

The principal functions and responsibilities of our Nominations Committee are:

- Review and evaluate the qualifications of all persons nominated to be a director of the Company and of all nominees to other positions in the Company requiring appointment by the Board; and
- Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

All of the members of the Nominations Committee met twice in 2013.

Compensation Committee
The Compensation Committee is responsible for establishment of formal and transparent procedure for developing policy on remuneration of Directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

The Compensation Committee is comprised of Mr. Manuel B. Zamora, Jr., as Chairman, and Messrs. Gerard H. Brimo and Frederick Y. Dy, the latter being an Independent Director.

Since the Committee was constituted only in November 2013, their meeting was held only once in December 2013 wherein all of them were present.

Corporate Secretary
Ms. Barbara Anne C. Migallos is the incumbent and duly qualified Corporate Secretary of the Company. She is currently fulfilling the duties and responsibilities of her office, ensuring that all Board procedures, rules and regulations are strictly followed. The Corporate Secretary is a lawyer with years of experience in corporate law practice, including corporate secretarial work. She is also a professorial lecturer in advanced securities regulation.

Compliance Officer
Mr. Jose Roderick F. Fernando, aside from being designated as the Assistant Corporate Secretary of the Company, has likewise been appointed by the Board as the Compliance Officer, designated to monitor compliance by the Company with the Manual and the rules and regulations of regulatory agencies.

2. Significant Employees/Executive Officers

   No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

3. Family Relationship

   Aside from Mr. Martin Antonio G. Zamora being the son of Mr. Manuel B. Zamora, Jr., none of our Executive Officers are related to each other or to our Directors and substantial Shareholders.

4. Involvement in Certain Legal Proceedings

   None of the members of our Board, nor any of our executive officers, has been or is involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to the date of this Prospectus. None of the members of our Board, nor any of our executive officers, has been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country. None of the members of our Board nor any of our executive officers have been or are subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities. None of the members of our Board nor any of our executive officers have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

The following table identifies our Chief Executive Officer ("CEO") and four most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2012, 2013 and 2014. The amounts set forth in the table below have been prepared based on what we paid for the compensation of our executive officers for the years indicated and what we expect to pay on the ensuing year.

	December 31, 2012			December 31, 2013			December 31, 2014 (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
	(In Php Thousands)								
Named executive officers [1]	₱25,220	₱13,670	₱38,890	₱29,129	₱16,482	₱45,611	₱30,585	₱11,227	₱41,812
All other officers and directors as a group unnamed	11,443	5,345	16,788	15,360	8,135	23,495	17,752	5,989	23,741

[1]The named executive officers are: Gerard H. Brimo (President and CEO), Emmanuel L. Samson (Chief Financial Officer), Jose S. Saret (Chief Operating Officer), Rolando R. Cruz (Vice President of Operations), Martin Antonio G. Zamora (Senior Vice President for Marketing and Strategic Planning).

Compensation of Directors

Each of the directors of the Company is entitled to a director's fee for each meeting attended. In addition, the directors who serve in the committees of the BOD, namely, the Audit and Risk, Nomination and Compensation Committees, are each entitled to a fee for each committee meeting attended.

The table below shows the compensation of our Directors:

Type	Board Meeting	Audit and Risk Committee Meeting	Other Meetings	Stock Option
Executive Director	₱10,000	₱10,000	₱10,000	Yes
Non-executive Director	10,000	10,000	10,000	In 2013, Mr. Ronaldo B. Zamora was entitled to receive stock option prior to his retirement from the Board.
Independent Director	150,000	50,000	10,000	None

Currently, there are no arrangements for additional compensation of directors.

Stock Option Plan

On June 16, 2010, our BOD and stockholders approved the NAC Executive Stock Option Plan (the "ESOP" or the "Plan") covering up to twelve million (12,000,000) Shares allocated to our officers and the officers of our subsidiaries, specifically those with a position of Assistant Vice President and higher, including all Resident Mine Managers of our subsidiaries. The optionees of the ESOP may avail of the ESOP Shares at ninety percent (90%) of the Offer Price for a number of ESOP Shares equivalent to up to three (3) years annual salary of the optionee. The term of the ESOP shall be six (6) years commencing from the date of the approval of the Plan and may be availed of by the optionees one (1) year from such commencement for up to twenty five percent (25%) of the optionee's entitlement and henceforth, up to another 25% of the optionee's entitlement per year thereafter. The optionee can exercise the vested option by giving notice to NAC within the term of the Plan, and can opt to either purchase the shares directly at the exercise price or request the 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. Cost of the executive stock option plan in 2013, 2012 and 2011 amounted to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively.

Several executive officers have exercised their option under the ESOP totaling to 1,851,218 shares at an exercise price of ₱9.00 per share in 2013 and 2,485,683 shares at an exercise price of ₱13.50 per share in 2012 (both are ₱7.20 per share after the effect of stock dividends).

On September 2, 2013 and March 19, 2013, SEC issued a resolution approving the request filed by the Company for the exemption of 3,030,058 common shares and 4,457,156 common shares, respectively, from the registration requirement. The said shares shall form part of the Company's ESOP.

On March 24, 2014, the BOD approved, subject to the ratification of the shareholders in June 2014, the adoption of a new stock option plan for officers of the Company, its operating subsidiaries and Resident Mine Managers. Directors will likewise be eligible to participate in the plan. A total of 32 million shares of stock will be reserved for the plan, which has a term of 5 years, from 2014 to 2019, and annual vesting rate of 25% of the entitlement shares. The first vesting date is one year after the grant of the option.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2013 follows:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	PCD Nominee Corporation (Filipino)		Filipino	1,502,909,195	59.66%
Common Stock	Mantra Resources Corporation 30th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig	Manuel B. Zamora, Jr. - Chairman	Filipino	645,133,713	25.61%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City		Foreign	604,928,542	24.01%
Common Stock	Luis J. L. Virata 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City	Nonillion Holding Corporation*	Filipino	323,613,047	17.77%
Common Stock	Ni Capital Corporation 28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig	Philip T. Ang - Vice Chairman	Filipino	338,910,461	13.45%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	213,114,916	8.46%
Preferred Stock	Nickel Asia Holdings, Inc. 6/F NAC Centre, 143 dela Rosa cor. Adelantado Streets, Legaspi Village, Makati City	Direct ownership	Filipino	720,000,000	100%

** Transfers from the individual shareholder to the corporation is covered by a deed of assignment and pending issuance of Certificate Authorizing Registration from the BIR.*

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2013 follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Manuel B. Zamora	127,282 - Direct 645,133,713 - through Mantra Resources Corporation	Filipino	25.61%
Common Stock	Gerard H. Brimo	4,476,375	Filipino	0.18%
Common Stock	Philip T. Ang	244,958 - Direct 338,910,461 - through Ni Capital Corporation	Filipino	13.46%
Common Stock	Luis J. L. Virata	323,613,047 - Direct	Filipino	12.85%
Common Stock	Fulgencio S. Factoran, Jr.	281	Filipino	0%
Common Stock	Frederick Y. Dy	281	Filipino	0%
Common Stock	Takanori Fujimura	375	Japanese	0%
Common Stock	Takeshi Kubota	375	Japanese	0%
Common Stock	Jose S. Saret	—	Filipino	0%
Common Stock	Emmanuel L. Samson	150,500	Filipino	0%
Common Stock	Martin Antonio G. Zamora	127	Filipino	0%
Common Stock	Raymundo B. Ferrer	—	Filipino	0%
Common Stock	Rolando R. Cruz	—	Filipino	0%
Common Stock	Jose Roderick F. Fernando	—	Filipino	0%
Common Stock	Koichi Ishihara	—	Japanese	0%
Common Stock	Jose Bayani D. Baylon	—	Filipino	0%
Common Stock	Barbara Anne C. Migallos	—	Filipino	0%
Common Stock	Ma. Angela G. Villamor	—	Filipino	0%

Voting Trust Holders of 5% or More

There is no voting trust holder of 5% or more of the Company's stock.

Changes in Control

There are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationship and Related Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

All sales and purchases from related parties are made at prevailing market prices.

The following are the significant transactions with stockholder who owns ten percent (10%) or more of total outstanding shares of the Company or its subsidiaries:

Nickel Ore Sale Agreements with PAMCO

HMC, CMC and TMC supply saprolite ore to PAMCO under renewable annual agreements. PAMCO is a stockholder of the Company and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME. PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

Nickel Ore Sale Agreement with PAMCO and Sojitz Corporation ("Sojitz")

RTN supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2015, wherein PAMCO appointed Sojitz as agent. PAMCO owns thirty six percent (36%) and Sojitz owns four percent (4%) of the outstanding shares in the capital stock of RTN.

Nickel Ore Sale Agreements with SMM
HMC, CMC, TMC and RTN supply saprolite ore to SMM under renewable annual agreements. SMM is a stockholder of the Company, through Sumitomo Metal Mining Philippine Holdings Corporation. All sales made to SMM are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME. SMM shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

Nickel Ore Supply Agreement with CBNC
RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility 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 has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay High Pressure Acid Leach (HPAL) facility. CBNC is the owner of the Coral Bay HPP facility.

Nickel Ore Supply Agreement with THNC
TMC entered into an agreement with THNC, a Philippine Corporation, covering the sale of its ore products. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME.

Service Agreements with CBNC
RTN entered into various service agreements with CBNC pertaining to tailings dam construction, materials handling and others.

Materials Handling Agreement with THNC
On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for the latter. THNC shall compensate TMC based on the prices stipulated in the agreement which are determined on the basis of the weight of the cargo. Payment is collected within fifteen (15) days from receipt of TMC's billing.

Funding Commitment with SMM
RTN's long-term debt was incurred to complete infrastructure projects to support the development of the Coral Bay HPAL facility. These projects included the causeway, trestles and dolphins in the Rio Tuba foreshore and offshore areas.

Funding Commitment with THNC
TMC as owner/developer of Taganito Special Economic Zone (TSEZ) incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jettybollard and other pier facilities in the Taganito foreshore and offshore areas.

THNC Stockholder's Agreement
On September 15, 2010, NAC, SMM and Mitsui executed a Stockholders Agreement, pursuant to which the parties formed a joint venture company, Taganito HPAL Nickel, to build and operate a plant in Barangay Taganito, Claver, Surigao del Norte for the purpose of producing and selling nickel-cobalt mixed sulfide to be used for the production of electrolytic nickel and electrolytic cobalt.

Pursuant to the Stockholders Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Parent Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations. The Stockholders Agreement shall terminate upon the dissolution of THNC.

In a separate agreement dated December 9, 2011, SMM, which also owns 62.5% of THNC, agreed to assume Parent Company's obligation to make loans to, or guarantee the repayment of, THNC's loans obligations. The Parent Company, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of THNC's outstanding loans obligation.

CBNC Stockholder Agreement
On July 1, 2002, RTN, along with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC's loans obligation in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC.

In a separate agreement dated October 22, 2002, SMM, which owns 54% of CBNC, agreed to assume RTN's obligation to make loans to, or guarantee the repayment of CBNC's loans obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of CBNC's outstanding loans obligation.

As at December 31, 2013, RTN owns 10% of CBNC's outstanding capital stock. In February 2014, RTN declared as property dividends its shares of stock in CBNC to the Parent Company.

Throughput Agreement with THNC
On October 4, 2010, TMC and THNC, a Philippine corporation, executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the Department of Environment and Natural Resources (DENR) that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the Philippine Export Zone Authority (PEZA) to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

Under the agreement, TMC will make available the pier facilities and provide certain services to THNC in consideration for usage fees and service fees to be paid by the latter starting April 2011 until 2031, unless terminated earlier. The usage fee amounted to $1,360,000 for each semi-annual period to be paid on or before October 10 and April 10.

THNC also agrees to pay service fee that will be agreed upon by both parties which shall be billed on a monthly basis.

Prior to the commencement date, THNC may also request TMC to use any part of the constructed Pier Facilities, which is ready for use, upon payment of reasonable compensation which shall be mutually agreed by TMC and THNC.

Throughput Agreement with CBNC
Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in US dollars, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

Memorandum of Understanding (MOU)
On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology adjacent to TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project. The estimated cost of the Project is $1.42 billion which is further increased to$1.59 billion, over a three-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 30,000 tons of contained nickel over an estimated 30-year project life. The MOU provides that the equity share of the Company and SMM shall be 20%-25% and 75%-80%, respectively.

Following the MOU is the Taganito HPAL Stockholders Agreement (the Agreement) entered into by the Parent Company, SMM and Mitsui, on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Company, SMM and Mitsui with equity interest of

22.5%, 62.5% and 15.0%, respectively. The said Agreement contains the principal terms of an ore supply agreement to be entered into between THNC and TMC for the supply of limonite ore.

It also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US$1,420.0 million project investment that will be undertaken by THNC.

As at December 31, 2013, the Parent Company, SMM and Mitsui made additional investment of US$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the latter pays guarantee service fee.

On October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loan of US$90.0 million to THNC for the construction of the tailings dam. No drawdown was made on this loan as at December 31, 2013.

Loan Guarantee/Substitution Agreement
RTN
Under a loan guarantee service agreement dated October 22, 2002 between RTN and SMM, the latter agreed to satisfy RTN's CBNC loan obligations in consideration of the payment by RTN to SMM of an annual fee equal to one percent (1%) of the relevant outstanding amount.

The fee is payable every February 21 and August 20 of each year. In case of default, such loan guarantee service agreement will be terminated and RTN shall provide loans to CBNC or guarantee the repayment of CBNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the CBNC Stockholder Agreement.

NAC
Under a loan guarantee/substitution agreement dated December 9, 2011 between NAC and SMM, the latter agreed to substitute for NAC to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, NAC shall pay to SMM an annual fee equal to one percent (1%) of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

On December 18, 2013 and December 3, 2013, NAC and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on December 3, 2013 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

In case of default, such loan guarantee/substitution agreements will be terminated and NAC shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

Notes 31 and 36 of the Notes to Consolidated Financial Statements of the Exhibits in Part IV is incorporated hereto by reference.

PART IV – DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company adopted its Manual on Corporate Governance (the "Manual") on June 16, 2010 and the amendments thereto on March 25, 2011, so as to incorporate certain mandatory provisions of the Revised Code of Corporate Governance. The Amended Manual was submitted to the SEC on March 31, 2011.

The Company is committed to the principles of sound corporate governance and believes that it is a necessary component of what constitutes sound strategic business investment. The Amended Manual has institutionalized the principles of good corporate governance within the Company and embodies the framework of rules, systems and processes that governs the performance of the BOD and Management of their respective duties and responsibilities to the shareholders.

The Company has substantially complied with its Manual of Corporate Governance and there has been no deviation from the same.

The Company is taking further steps to enhance adherence to principles and practices of good governance including the designation of a Chief Risk Officer ("CRO") who is the champion of enterprise risk management at the Company and oversees the entire risk management function. The risk management policy has been approved and risk officers at each operating company have also been designated.

The Company has undergone a self-assessment process and is going to implement a rational rating system to determine compliance by Directors and Officers with the Manual for Corporate Governance. Along with this, the Company shall integrate its risk management system.

The Company's BOD is comprised of nine (9) Directors, with two (2) being Independent Directors, namely Atty. Fulgencio S. Factoran, Jr. and Mr. Frederick Y. Dy. The Company thus considers as an Independent Director one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director.

The BOD is primarily responsible for the governance of the Company and shall provide the policies for the accomplishment of the corporate objectives, including the means by which to effectively monitor Management's performance. It is the BOD's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

Corporate Governance Officer
Mr. Emmanuel L. Samson, aside from being designated as the Senior Vice President – Chief Financial Officer of the Company, has likewise been appointed by the Board as the Corporate Governance Officer,
is tasked with directing the people, business processes and systems needed to enable good governance from inside the corporation in support of the BOD.

<u>Qualifications of Directors</u>
The company's Manual on Corporate Governance provides for qualifications of directors which are the following:

a) College education or equivalent academic degree;
b) Practical understanding of the business of the Company;
c) Membership in good standing in relevant industry, business or professional organizations;
d) Previous business experience.

The abovementioned qualifications give room for the shareholders to freely choose/nominate directors coming from diverse professional backgrounds.

All directors of the company are required to have "a practical understanding of the business of the company" as provided in the company's Manual on Corporate Governance.

The company adopts the definition of "independence" under the Securities Regulations Code. The term of the company's independent directors is the same as that of the other directors of the company which is one (1) year as provided in the company's Articles of Incorporation.
The members of the BOD are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nominations Committee and sent to the shareholders through the notice of meeting. A majority vote of the shareholders is required for the election of a director.

Any member of the BOD may be removed from office on grounds of disqualification as provided in the Manual on Corporate Governance. The procedure in the Corporation Code is followed by the corporation for this purpose. Directors may be removed through a regular or special meeting called for such purpose notices for which are duly given to the shareholders. The removal shall be approved by a vote of the shareholders representing 2/3 of the outstanding capital stock. The vacancy in the Board resulting to such removal may be filled in during the same meeting requiring the same amount of votes without need for further notice.

Any vacancy occurring in the Board other than by removal by the stockholders as abovementioned or by expiration of term may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. The directors elected to fill the vacancy shall serve only the unexpired term of his predecessor.

Role of the Chairman
The roles of Chairman and the Chief Executive Officer ("CEO") are assigned to Manuel B. Zamora Jr. and Gerard H. Brimo, respectively.

The following are the duties and responsibilities of the Chairman as provided in the corporation's Manual on Corporate Governance:

- Ensure that the meetings of the Board are held in accordance with the By-laws or as the Chairman shall deem necessary;
- Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of Management and the Directors; and
- Maintain qualitative and timely lines of communication and information between the Board and Management.

Roles and Accountabilities of Other Directors
As provided under the corporation's Manual on Corporate Governance all directors shall have the following duties and responsibilities:

- Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the Company.
- Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
- Act judiciously.
- Exercise independent judgment.
- Have a working knowledge of the statutory and regulatory requirements that affect the company.
- Observe confidentiality.

Enterprise Risk Management (ERM)
The Group adopts a risk philosophy aimed at enhancing shareholder value by sustaining competitive advantage, optimizing risk management cost, and enabling the Group to pursue strategic growth opportunities with greater speed, skills and confidence than its competitors. To put the philosophy into action, the Group implemented an ERM that shall ensure that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. Furthermore, the risk management processes facilitate alignment of the Group's strategy and annual operating plan with the management of key risks. Risk assessment and mitigation strategy is an integral part of the Group's annual business planning and budgeting process. The key risk management activities include scenario planning, business continuity/disaster recovery management and crisis planning and management. Close monitoring and control processes, including the establishment of appropriate key risk indicators and key performance indicators, are put in place to ensure that risk profiles are managed within policy limits. The Group has in place a formal program of risk and control self-assessment whereby

line personnel are involved in the ongoing assessment and improvement of risk management and controls. Independent specialist consultants will, if needed, be engaged from time to time to review the Group's risk management framework and processes.

The Board has responsibility for overseeing risk management within the Group. Assisting the Board is the CRO of NAC who in turn is supported by VP-Finance of each operating company who acts as CRO for the operating company.

In 2012, the Group rolled out the ERM on a pilot basis to one of our subsidiaries. The Group undertakes a continuous process of risk identification and prioritization, monitoring, management and reporting of risks throughout the organization, to provide assurance to the Board that all significant risks are managed effectively. The effectiveness of risk management policy and processes is reviewed on a regular basis and, where necessary, improved. The Internal Audit and the Audit and Risk Committee have reviewed the effectiveness of our risk management system and found the system and the risk mitigation strategies adequate to manage all significant business risks.

The other operating subsidiaries have initiated the roll-out of the ERM to their respective organizations.
In line with the overall Enterprise Risk Management policy of the Group, the Company is committed to manage its risks by adopting an approach where risk identification, assessment, control and monitoring are integrated in the annual plans and budgeting process. All department and section heads of the company are actively involved in the setting of objectives and the identification of related risks that could prevent the Company from achieving its objectives. Employees are informed of the identified risks and are enjoined to make it their business to actively participate in implementing measures that will mitigate the risks.

The table below shows the focus of Company's Risk Management Policy. The different risk exposures may overlap depending on the risk that is identified and assessed.

Risk Exposure	Risk Management Policy	Objective
Strategic Risk	Set by top management and is focused on the overall direction in areas of revenue, cost and expansion (contraction) programs for both the long-term and annual plans	It is the objective of the policy to provide the Company management team with a framework that will guide them in dealing with the internal and external risks of the business that have direct impact on the revenue and costs and financial growth while balancing the interests of all stakeholders.
Operational Risk	Set by line managers and focuses on the utilization of available (and limited) resources and on how to manage and prioritize such resources when risks occur	It is the objective of the policy to ensure that employees are properly guided in dealing with risks that could happen during the day to day operations.
Financial Risk	Focuses on the financial and reporting impact resulting from risks	It is the objective of the policy to guide employees in ensuring that risks with financial impact have to be properly managed and that losses are contained if not eliminated.
Compliance Risk	Operating in a highly regulated industry, compliance to various laws, rules and regulations is to be fully enforced.	It is the objective of the policy that ensures that the company is fully compliant with applicable laws, rules and regulations given the sensitivity of the regulatory environment where the company operates.

The systems that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with applicable legislation, regulations and best practices, and the identification and management of business risk.

In the course of their statutory audit, the Group's external auditors carry out a review of the Group's material internal controls to the extent of the scope as laid out in their audit plans. Any material non-compliance and internal control weaknesses, together with the external auditors' recommendations to address them, are reported to the Audit Committee. NAC's Management, with the assistance of Internal Audit, follows up on the external auditors' recommendations as part of their role in reviewing the Group's system of internal controls.

Below are examples of the Company's Risk Assessment, Management Control:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Strategic: Market condition, forex and LME prices	Regular updates of market data especially on buyer's requirement; obtain forecasts of forex and LME prices	• Preparing alternative mining plans • Revising budgets (forecasts) • Managing foreign exchange position • Implementing sensitivity analysis
Operational: Lack of available manpower specifically skilled drivers and operators that could result in not meeting production targets	Close coordination between Mines Group and HR with regards to manpower hiring requirements. Monitoring of production accomplishment by comparing actual against budget as well tons per manshift; the resulting data helps determine the adequacy/inadequacy of available manpower	• Scouting potential applicants from other companies / contractors that has slowed down or ceased operation. • In-house training of qualified samplers/spotters to become drivers and operators. • Regularization of qualified seasonal employees • Offering competitive compensation
Operational: Unavailable mining equipment resulting to decreased production	Daily Monitoring of equipment breakdowns, job orders, and completed repairs. A minimum of 80% physical availability for all production equipment must be maintained.	• Continuous training and re-training of drivers and operators on proper use and handling of equipment to reduce equipment breakdown • Implementing Work order for mechanical and strict monitoring of night shift productivity • Conducting regular PMS • Tapping the expertise of the supplier on proper maintenance and servicing of equipment • Construction of an improved mechanical shop • Monitoring consumption and stocking level of repair parts for both warehouse and consignment to ensure repair parts availability, for prompt repairs • Reducing delivery lead time for non-consigned repair parts by using emergency purchase and close coordination with Surigao purchasing for local purchases
Operational: Accidents resulting to injury or death, equipment damage, and production loss	Safety section monitors and records all accidents / incidents and evaluates severity and frequency rate based on total manhours worked.	• Continuous training based on the identified training needs by departments and sections • Close supervision and monitoring - Supervisors as well as safety inspectors constantly monitors all activities to ensure strict adherence to SOP. • Providing complete PPEs • Implementing disciplinary action strictly and promptly.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Financial: Delay in completion of construction of conveyor belt	A dedicated group was tasked to closely monitor the progress of the construction as the delay in the construction will mean loss opportunity to the Company	• Closely coordinating with Purchasing and Contractors on the supply of materials • Scheduling of payments to ensure adequacy of funds to finance the purchases • Completing documents required for government approval • Regular progress report is prepared and threshed out • Contingency plan in place in case of delay
Compliance: Suspension of operation due to non-compliance to DENR guidelines and standards pertaining to water quality	Daily monitoring of water and air quality to ensure compliance. Water pH and TSS (Total suspended solids) are monitored daily at established stations (settling ponds and Taganito river)	• Constructing additional silt pond • Assigning equipment dedicated for the maintenance of catch drainage, desilting of silt ponds and riverbed. • Implementing of PONA (Permit to Operate New Area) • Implementing a Comprehensive Mine drainage plan which impounds only the silted runoff; re-route natural stream flow. • Progressive mine rehabilitation. • Covering of bare slopes with coconet. • Covering of stockpiles. • Concreting of the shipment road • Surfacing of the lateritic active roads with crushed rocks

Internal Audit and Control

The Group defines internal control system as a process, effected by its BOD, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

In ensuring effectiveness and efficiency of operations, the Group focuses on the basic business objectives, performance and profitability goals and safeguarding of resources. Reliability of financial reporting ensures that there are adequate controls in the preparation of published financial statements, including the quarterly financial statements and selected financial data derived from such statements, e.g. earnings releases. Compliance controls ensures that the Group comply with those laws and regulation to which it is subject. In designing the internal control system, the Group recognizes that these three distinct but overlapping categories address different needs and allow a directed focus to meet the different needs.

The internal control system has components that are integrated, have synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. to ensure an effective and efficient internal control system.

a) Control environment which sets the tone of the Group and is the foundation for all other components of internal control, providing discipline and structure.
b) Risk assessment which is integrated and exists at all levels in the organization.
c) Control activities consisting of policies and procedures that help ensure management directives are carried out and that necessary actions are taken to address risks to achievement of the Group's objectives. Similar to risk assessment, control activities occur throughout the Group, at all levels and in all functions.
d) Information and communication to ensure that pertinent information are identified, captured and communicated that enables people to carry out their responsibilities and to run and control

the business. Information includes external events, activities and conditions necessary to informed business decision making and external reporting, Communication includes external activities e.g. investors, public and regulators.

e) Monitoring the process to assess the quality of the internal control system over time. This is accomplished through ongoing monitoring activities and separate evaluations or a combination of both. Internal control deficiencies are reported upstream, with serious matters reported to top management and the board.

Internal Audit carries out reviews and internal control advisory activities aligned to the key risks in the Group's business. This provides independent assurance to the Audit and Risk Committee on the adequacy and effectiveness of the risk management, financial reporting processes, and internal control and compliance systems. In order to provide assurance to the Board, each management member provides a written certification to the CEO confirming the integrity of financial reporting, and the efficiency and effectiveness of the risk management, internal control and compliance systems.

The Internal Auditor reports administratively to the CEO and functionally to the Audit Committee of the BOD. The Internal Auditor is granted full, free and unrestricted access to any and all of the Group's records, physical properties, and personnel relevant to any function under review. All employees are requested to assist Internal Auditor in fulfilling his staff function. Internal Auditor has free and unrestricted access to the Chairman of the BOD, and the Audit Committee.

During 2013, the scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Reviewing and appraising the economy and efficiency with which resources are employed;
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate; and
- Monitoring and evaluating the effectiveness of the organization's risk management system.

Written reports were prepared and issued by the Internal Auditor following the conclusion of each audit and distributed as appropriate. A copy of each audit report and a summarization is forwarded to the CEO and the Chairman of the Audit Committee.

Rights of Shareholders

Corporate acts that require the approval of stockholders are brought before them during the stockholders meeting and are put to vote according to the provisions of the Corporation Code. The resolutions which need approval are indicated in the notice sent to the stockholders prior to the meeting.

The stockholder's has not been given any rights different from those provided by the Corporation Code.

All shareholders were notified of the date and venue of the meeting and were given materials as to the resolutions to be passed and other items in the agenda prior to the meeting. Everyone was encouraged to ask questions before the Board during the meeting.

The company retains the services of Stock Transfer Service, Inc. for validation and tabulation of votes during the stockholders' meetings.

As provided under the corporation's By-laws, a shareholder may vote by proxy which shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the

Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the shareholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Notices for regular or special meetings of shareholders may be sent by the Secretary by personal delivery or by mail at least 2 weeks prior to the date of the meeting to each shareholder of record at his last known address. The notice shall state the place, date, and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting or shareholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Under the company's By-laws all shareholders have the right to nominate candidates for the Board.

<u>Investor Relations Program</u>
The Company is currently drafting its written policy regarding external and internal communications. External communications are reviewed by the VP-Corporate Communications and the President/CEO.

Company disclosures are submitted to the public through the PSE. Contact details like telephone numbers and email address are provided to accommodate inquiries from investors/stakeholders.

<u>Corporate Social Responsibility Initiatives</u>
It is critical to our operations as a Group that the communities in which we operate sees us and welcomes us as an invaluable contributor to and partner in the improvement of their standard of living.

It is for this reason that every impacted community is integrated into the planning and implementation processes of the programs funded under the SDMP mandated by the Mining Act of 1995- whether it is the four host barangays for TMC, the eleven for RTN, or even the Municipality of Tagana-an's 13 neighboring barangays for HMC.

The integration comes in many forms. It begins with the conduct of focus group discussions with the stakeholders – the local residents and the Indigenous Peoples in their respective communities – so that an initial list of possible projects can be drawn up following a better understanding of the community's needs. At the barangay level, this process results in the drawing up of the Barangay development Plan.

Information and Education Campaigns (IECs) are conducted on a regular basis with the communities, providing a continuous process of dialogue that allows all parties to refine their objectives and the projects that are drawn up to meet those objectives.

Over and over the feedback is relayed to the communities for validation, so that at every step of the way everyone is confident that the end-result would be projects funded out of SDMP or CSR funds that meet real and pressing needs of the communities they are intended to benefit.

Central to this interactive process are the Community Relations (ComRel) associates of our operating companies who are the front-liners and the principal link between the communities and the companies. When ComRel associates are knowledgeable of their roles and are equipped to do a good job, the process achieves what it is meant to achieve – an upliftment of the lives in the target communities.

This is very evident in the SDMP as well as CSR projects that the various operating companies undertook in their respective communities. These included infrastructure projects – construction or repair of schools, churches, health centers and other public structures; provision of basic utilities for the various communities including street lighting, water pump installation or repair, and provision for toilets; as well as the extension of other services needed by the communities such as the sponsorship of medical missions.

These were projects that the communities themselves had identified as their priorities, and which had been cleared with the proper authorities, particularly the MGB, for implementation either under SDMP

funding or CSR funding. And this process of community integration into the planning and implementation process was a standard practice, whether in Surigao or Palawan.
In addition, the Company is currently supporting the "I Am PGH" Fund Drive spearheaded by the PGH Foundation for the benefit of the patients of the Philippine General Hospital.

Other initiatives are undertaken at the level of the Company's operating subsidiaries. As a mining company, the Company sees to it that its operating subsidiaries undertake projects under their respective SDMP.

Customer Safety and Welfare
Our Group continually strives to satisfy our customers' expectations and concerns by giving utmost attention to their safety and welfare which we address as follow:

- Ores are loaded onto the customers' vessels when weather and sea conditions are favorable and with close coordination with the vessel captain.
- Ore size and specifications are strictly complied which are necessary for the safe and efficient operation of the customer processing facilities.
- Ore moisture is strictly monitored to comply with the customer and international maritime standards of up to 35% moisture content.
- The company-owned LCTs and barges have been issued with certificates of sea worthiness by the Marina and are being subjected to regular preventive maintenance and dry docking.
- Customer's representatives in mine site are provided with required personal protective equipment.

Employees
Health, Safety and Welfare
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 such as:

- We strictly require the utilization of protective equipment and safety devices.
- First aid and emergency equipment are installed strategically in our work areas.
- Safety in-house inspections are regularly conducted to identify hazards and unsafe conditions or practices.
- Managers and supervisors regularly conduct safety briefings and meetings.
- Safety orientation training is also conducted for new employees and emergency preparedness training and drills are conducted periodically.
- We have a rigorous system of investigating accidents and near-misses to understand causes and implement corrective measures.
- We record and monitor lost time injuries, medically treated injuries, minor injuries and non-injury incidents which include near-miss incidents, and property damage and their frequency rates.
- We provide healthcare benefit to our employees and their dependents. Every year employees are given medical and healthcare orientation and a booklet through our health maintenance service provider. Our employees have their medical and physical examination every year. Aside from that, they are given flu vaccination once a year. In these ways, we make them aware of their health and medical condition.

We utilize the internet social media to publicize our activities, programs and projects in relation to the health and welfare of the employees, their dependents including the nearby communities of our mine sites.

Training and Development Programs
We have developed a training and development program for the employees based on the training needs analysis conducted. Every year, we provide training and development opportunities for all employees to enhance their knowledge, skills and competencies towards the achievement of their individual performance targets, as well as their career goals. The trainings cover a variety of aspects aimed at further enriching their technical competency, as well as their intangible or "soft skills" that would help them to do their role more effectively. All training activities are documented and included in the official

newsletter/ magazine of the operating companies. Aside from this, an internal report is prepared and submitted by Human Resources after each training activity of the concerned departments.

Supplier/Contractor

We promote fair dealings with our suppliers, creditors and other business partners. We honor our commitments to agreements and timely payments of contracted obligations. We explicitly disallows employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others.

We also require our suppliers to undergo an accreditation process before they engage in business with the Group. Among the criteria for accreditation are:

- Business longevity/legitimacy
  - The supplier/contractor should already be an established, reputable company and already existing for a number of years in the field of supply and rendering services.
- Financial Stability
  a) The supplier/contractor should be able to extend reasonable credit terms once the volume of purchases reach a significant value.
  b) The supplier/contractor must comply with some documentation requirements to ensure legitimacy, legality and financial stability of their company.
- Product/Service Exclusivity (Dealership)
  a) The supplier/contractor should be equipped with sufficient number of manpower and required mobile equipment to sustain logistic services in terms of efficiency in the delivery of their products.
  b) The supplier/contractor should have a very strong and established program to cater for the warranty of their products and after sales support.
- Product/Service Quality
  a) The supplier/contractor should be equipped with adequate technical competence to support all queries of their clients when the need arises.
  b) The supplier/contractor should be able to maintain the quality of their services during the pre-accreditation period for a specific duration for them to be qualified for the final accreditation stage.
- Registered ISO member
  - Advantage but not necessarily a pre-requisite

The Group's purchases, as a general rule, are made on the basis of competitive bidding of accredited and qualified suppliers, in accordance with the aforementioned policy.

Creditors

Creditor's rights are defined in the purchase order or contract especially by payment, warranty, penalty and others. We protect the rights of our creditors by publicly disclosing all material information, such as earnings results and risk exposures relating to loan covenants. Our disclosure controls and procedures also include periodic reports to our creditors such as our latest certified Financial Statements, among others.

Environmentally-Friendly Value Chain (Fuel, oil and lubricants/Plastic/Rubber/Steel/Hazardous Products)

Our business looks beyond lowest price and bottom line, and instead buys the best, safest and most suitable products in accordance with our policy. We seek assurances that our suppliers are also firms with an ethically sound CSR policy by ensuring that they have:

- Government-approved Environment Compliant Certificate
  a) DENR
  b) ECC
  c) Local/Municipal Permits
- Accredited Treater/Transporter
  a) Are technically-knowledgeable on Environmental Safety/Disposal Procedures
  b) Complete line of machines/instruments/tools for material handling

Sustainability Program

The nature of the mining industry requires a long-term view. Successful mining operations – where success refers not only to the viability of the business venture but also to the improvement in the lot of the people affected by the operations – are those that are conducted with a commitment to sustainable development at their core.

A fundamental issue in sustainable development as it relates to the mining industry is the issue of environmental protection. Part of our annual operations is the preparation of AEPEPs – that is prepared by every operating company for submission to and review by stakeholders at various levels up to the level of the MGB. The bottom line in the preparation, approval, implementation and monitoring of our AEPEPs is the ultimate rehabilitation of mined-out areas in a manner that allows the local communities to live sustainably beyond the mine life.

The law provides for the funding needed to implement the AEPEP, based either on a percentage of direct mining or milling costs. This fund, in aggregate, for our four operating mines exceeds half a billion pesos, and allows us to fund our progressive mine rehabilitation programs and other programs designed to limit, if not reverse, the disturbance our operations inflict on the physical environment.

Our four operating mines together have planted over one million trees in an aggregate area exceeding 1,000 hectares as part of the progressive mine rehabilitation efforts and our commitment to the National Greening Program of the national government.

Another key element in sustainable development is the conduct of programs designed to directly address social development issues – in education, health, housing – that impact the local communities. Again the law provides for a percentage of direct mining and milling costs as funds for the SDMP programs and our operations consistently commit at levels over and above the mandate of the law.

To ensure continuity and maximize impact, programs in this area of our sustainable development approach cover periods of five years, and are programs that have been identified by the local communities themselves as responsive to their most pressing needs. The implementations of these programs are constantly monitored by our ComRel associates, with reports made to the MMTon a regular basis.

Necessarily, the welfare of our own associates is the third critical element of our approach to sustainable development. The adoption and implementation of strict health and safety measures guarantees very low frequencies of fatal- and non-fatal accidents and incident rates per million man-hours worked. These are coupled with the provision of health benefits to associates and their dependents that are extended without cost by the companies.

The Company will issue its first Sustainability Report that will detail its commitment to sustainable development in time for the Annual Stockholders Meeting in June 2014.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Exhibits
See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Corporation's Independent Public Accountant, SGV & Co.

Reports on SEC Form 17-C
There are SEC Forms 17-C filed in 2013 covered by this report, to wit:

Items Reported	Date Reported
2013 Third Quarter Progress Report on the Application of the Proceeds from the Initial Public Offering (IPO)	October 9, 2013
Election of Martin Antonio G. Zamora as Director	July 30, 2013
Retirement of Ronaldo B. Zamora as Director	July 23, 2013
2013 Second Quarter Progress Report on the Application of the Proceeds from the IPO	July 15, 2013
Resolutions from 2013 Annual Stockholders' Meeting	June 3, 2013
2013 First Quarter Progress Report on the Application of the Proceeds from the IPO	April 11, 2013
Declaration of Cash and Stock Dividends	April 5, 2013
SEC approval of request for exemption from registration requirements of proposed issuance of additional shares pursuant to Executive Stock Option Plan	March 19, 2013
2012 Annual Summary Report on the Application of Proceeds from the IPO	January 29, 2013

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Taguig on April 15, 2014.

By:

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President and
Chief Financial Officer

Jose S. Saret
Senior Vice President and
Chief Operating Officer

Barbara Anne C. Migallos
Corporate Secretary

Iryan J. Padillo

Iryan Jean U. Padillo
Senior Finance Manager

APR 15 2014

Subscribed and sworn to before me this _______ day of ________, 2014 affiant (s) exhibiting to me his/their Passport Number, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Gerard H. Brimo	EB6938052	12/12/2012	Manila
Emmanuel L. Samson	EB6948468	12/13/2012	Manila
Jose S. Saret	XX5493443	02/09/2010	Manila
Barbara Anne C. Migallos	EC0356963	02/20/2014	Manila
Iryan Jean U. Padillo	XX5099928	12/04/2009	Manila

DOC. NO. 128
PAGE NO. 27
BOOK NO. 381
SERIES OF 2014

IMELDA JIRO CRUZ-NERY
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2015
IBP NO. 915172 Q.C. 1-2-14

NICKEL ASIA CORPORATION
SEC FORM 17-A
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

NICKEL ASIA CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management **of Nickel Asia Corporation and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Group.

SyCip,Gorres,Velayo & Co., the independent auditors, appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Manuel B. Zamora Jr.
Chairman of the Board

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President/Chief Financial Officer

Signed this 24th day of March 2014

SWORN APR 14 2014
DAY OF
EXHIBITING
CARD

ATTY. RAMON L. CARPIO
UNTIL DEC. 31, 2014
ROLL NO. 22,172 TIN 106-918-897
MCLE NO. IV-
NO. 954 268
PTR NO. 9829822, JAN. 3, 2014 PASIG CITY

DOC. NO. 91
PAGE NO. 19
BOOK NO. CLXXXVII
SERIES OF 2014

Nickel Asia Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012
and Years Ended December 31, 2013, 2012 and 2011

and

Independent Auditors' Report

SGV

Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of Nickel Asia Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nickel Asia Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 24, 2014

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2013
(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱10,234,336**	₱9,263,451	₱10,350,592
Trade and other receivables (Note 5)	**839,449**	937,860	1,156,293
Inventories (Note 6)	**2,044,469**	2,004,188	2,008,003
Available-for-sale (AFS) financial assets (Note 7)	**1,257,370**	1,086,104	660,223
Prepayments and other current assets (Note 8)	**225,412**	157,944	94,284
Total Current Assets	**14,601,036**	13,449,547	14,269,395
Noncurrent Assets			
AFS financial assets - net of current portion (Note 7)	**1,181,568**	1,041,934	907,597
Property and equipment (Note 9)	**6,585,752**	5,949,928	4,216,838
Investment properties (Note 10)	**29,000**	72,191	53,637
Investment in an associate (Note 11)	**4,112,126**	3,988,929	4,371,867
Long-term stockpile inventory - net of current portion (Note 12)	**981,463**	1,266,010	1,357,675
Deferred income tax assets - net (Note 33)	**344,443**	364,897	501,851
Other noncurrent assets (Note 13)	**1,078,140**	1,045,781	724,038
Total Noncurrent Assets	**14,312,492**	13,729,670	12,133,503
TOTAL ASSETS	**₱28,913,528**	₱27,179,217	₱26,402,898
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 14)	**₱928,113**	₱864,015	₱1,238,101
Current portion of long-term debt (Note 15)	**117,469**	116,619	124,545
Income tax payable	**263,381**	295,095	275,169
Total Current Liabilities	**1,308,963**	1,275,729	1,637,815
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 15)	**1,421,128**	1,422,670	1,643,908
Deferred income tax liabilities - net (Note 33)	**486,228**	550,451	585,625
Provision for mine rehabilitation and decommissioning (Note 16)	**130,927**	132,522	61,726
Deferred income - net of current portion	**75,419**	79,609	84,154
Pension liability (Note 32)	**279,075**	136,532	157,065
Total Noncurrent Liabilities	**2,392,777**	2,321,784	2,532,478
Equity Attributable to Equity Holders of the Parent			
Capital stock (Note 17)	**1,266,780**	1,013,938	677,116
Additional paid-in capital	**8,151,603**	8,117,558	8,075,641
Other components of equity:			
Net valuation gains on AFS financial assets (Note 7)	**99,506**	65,199	20,889
Cost of share-based payment plan (Note 18)	**49,524**	57,464	64,308
Asset revaluation surplus	**33,629**	34,012	34,395
Share in cumulative translation adjustment (Note 11)	**140,201**	(136,909)	118,251
Retained earnings:			
Appropriated (Note 17)	**1,000,000**	–	–
Unappropriated	**9,748,905**	9,725,164	8,883,432
	20,490,148	18,876,426	17,874,032
Non-controlling Interests	**4,721,640**	4,705,278	4,358,573
Total Equity	**25,211,788**	23,581,704	22,232,605
TOTAL LIABILITIES AND EQUITY	**₱28,913,528**	₱27,179,217	₱26,402,898

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
REVENUES (Note 31)			
Sale of ore	**₱10,475,497**	₱11,143,293	₱12,230,278
Services and others	**634,032**	463,614	464,428
	11,109,529	11,606,907	12,694,706
COSTS AND EXPENSES			
Cost of sales (Note 20)	**4,489,294**	4,467,215	3,349,690
Cost of services (Note 21)	**335,292**	260,399	214,260
Shipping and loading costs (Note 22)	**1,398,771**	1,400,550	1,286,076
Excise taxes and royalties (Note 23)	**648,608**	707,937	736,262
Marketing (Notes 36e and 36i)	**65,629**	94,354	68,176
General and administrative (Note 24)	**624,819**	527,581	577,425
	7,562,413	7,458,036	6,231,889
FINANCE INCOME (Note 27)	**166,753**	235,040	208,436
FINANCE EXPENSES (Note 28)	**(128,298)**	(114,536)	(66,615)
EQUITY IN NET LOSSES OF AN ASSOCIATE (Note 11)	**(184,703)**	(114,639)	(196,185)
OTHER INCOME - Net (Note 29)	**309,783**	300,262	745,200
INCOME BEFORE INCOME TAX	**3,710,651**	4,454,998	7,153,653
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)			
Current	**1,169,504**	1,264,270	1,619,779
Deferred	**(45,289)**	70,428	66,236
	1,124,215	1,334,698	1,686,015
NET INCOME	**₱2,586,436**	₱3,120,300	₱5,467,638
Net income attributable to:			
Equity holders of the parent	**₱2,053,674**	₱2,207,210	₱3,537,782
Non-controlling interests	**532,762**	913,090	1,929,856
	₱2,586,436	₱3,120,300	₱5,467,638
Earnings per share (EPS; Note 19)			
Basic	**₱0.82**	₱0.88	₱1.41
Diluted	**₱0.81**	₱0.88	₱1.40

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
NET INCOME	**₱2,586,436**	₱3,120,300	₱5,467,638
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:			
Share in translation adjustment of an associate (Note 11)	**307,900**	(268,299)	(2,401)
Income tax effect	**(30,790)**	13,139	241
	277,110	(255,160)	(2,160)
Net valuation gains (loss) on AFS financial assets (Note 7)	**45,679**	66,910	(23,756)
Income tax effect (Note 7)	**(15,636)**	(16,048)	7,371
	30,043	50,862	(16,385)
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	**307,153**	(204,298)	(18,545)
Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:			
Remeasurement gain (loss) on pension liability (Note 32)	**(149,686)**	92,417	1,395
Income tax effect	**44,906**	(27,725)	(418)
	(104,780)	64,692	977
Asset revaluation surplus	**(547)**	(547)	(547)
Income tax effect	**164**	164	164
	(383)	(383)	(383)
Net other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods	**(105,163)**	64,309	594
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	**201,990**	(139,989)	(17,951)
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱2,788,426**	₱2,980,311	₱5,449,687
Total comprehensive income attributable to:			
Equity holders of the parent	**₱2,292,064**	₱2,035,344	₱3,520,200
Non-controlling interests	**496,362**	944,967	1,929,487
	₱2,788,426	₱2,980,311	₱5,449,687

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 17)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 18)	Net Valuation Gains on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment (Note 11)	Asset Revaluation Surplus	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 17)	Total	Non-controlling Interests	Total
Balances at December 31, 2012, as previously stated	**₱1,013,938**	**₱8,117,558**	**₱57,464**	**₱65,199**	**(₱136,909)**	**₱34,012**	**₱9,737,447**	**₱–**	**₱18,888,709**	**₱4,712,116**	**₱23,600,825**
Effect of adoption of Revised Philippine Accounting Standards (PAS) 19 (Note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**(12,283)**	**–**	**(12,283)**	**(6,838)**	**(19,121)**
Balances at December 31, 2012, as restated	**1,013,938**	**8,117,558**	**57,464**	**65,199**	**(136,909)**	**34,012**	**9,725,164**	**–**	**18,876,426**	**4,705,278**	**23,581,704**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**2,053,674**	**–**	**2,053,674**	**532,762**	**2,586,436**
Other comprehensive income (loss)	**–**	**–**	**–**	**34,307**	**277,110**	**(383)**	**(72,644)**	**–**	**238,390**	**(36,400)**	**201,990**
Total comprehensive income (loss)	**–**	**–**	**–**	**34,307**	**277,110**	**(383)**	**1,981,030**	**–**	**2,292,064**	**496,362**	**2,788,426**
Cost of share-based payment plan (Note 18)	**–**	**–**	**10,369**	**–**	**–**	**–**	**–**	**–**	**10,369**	**–**	**10,369**
Cash dividends - ₱0.35 per common share (Note 17)	**–**	**–**	**–**	**–**	**–**	**–**	**(705,252)**	**–**	**(705,252)**	**–**	**(705,252)**
7% Cash dividends - Preferred share	**–**	**–**	**–**	**–**	**–**	**–**	**(504)**	**–**	**(504)**	**–**	**(504)**
Stock dividends (Note 17)	**251,916**	**–**	**–**	**–**	**–**	**–**	**(251,916)**	**–**	**–**	**–**	**–**
Exercise of stock options (Note 18)	**926**	**34,045**	**(18,309)**	**–**	**–**	**–**	**–**	**–**	**16,662**	**–**	**16,662**
Share of non-controlling interest in cash dividends of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(480,000)**	**(480,000)**
Appropriation (Note 17)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,000,000)**	**1,000,000**	**–**	**–**	**–**
Asset revaluation surplus transferred to retained earnings	**–**	**–**	**–**	**–**	**–**	**–**	**383**	**–**	**383**	**–**	**383**
Balances at December 31, 2013	**₱1,266,780**	**₱8,151,603**	**₱49,524**	**₱99,506**	**₱140,201**	**₱33,629**	**₱9,748,905**	**₱1,000,000**	**₱20,490,148**	**₱4,721,640**	**₱25,211,788**

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock (Note 17)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 18)	Net Valuation Gains on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment (Note 11)	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2011, as previously stated	₱677,116	₱8,075,641	₱64,308	₱20,889	₱118,251	₱34,395	₱8,920,976	₱17,911,576	₱4,381,233	₱22,292,809
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	–	–	–	(37,544)	(37,544)	(22,660)	(60,204)
Balances at December 31, 2011, as restated	677,116	8,075,641	64,308	20,889	118,251	34,395	8,883,432	17,874,032	4,358,573	22,232,605
Net income	–	–	–		–	–	2,207,210	2,207,210	913,090	3,120,300
Other comprehensive income (loss)	–	–	–	44,310	(255,160)	(383)	39,367	(171,866)	31,877	(139,989)
Total comprehensive income (loss)	–	–	–	44,310	(255,160)	(383)	2,246,577	2,035,344	944,967	2,980,311
Cost of share-based payment (Note 18)	–	–	2,759	–	–	–	–	2,759	–	2,759
Cash dividends - ₱0.80 per common share (Note 17)	–	–	–	–	–	–	(1,073,452)	(1,073,452)	–	(1,073,452)
7% Cash dividends - Preferred share	–	–	–	–	–	–	(504)	(504)	–	(504)
Stock dividends (Note 17)	335,579	–	–	–	–	–	(335,579)	–	–	–
Exercise of stock options (Note 18)	1,243	41,917	(9,603)	–	–	–	–	33,557	–	33,557
Share of non-controlling interest in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	(600,000)	(600,000)
Restructuring of a subsidiary		–	–	–	–	–	4,307	4,307	1,738	6,045
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	383	383	–	383
Balances at December 31, 2012	₱1,013,938	₱8,117,558	₱57,464	₱65,199	(₱136,909)	₱34,012	₱9,725,164	₱18,876,426	₱4,705,278	₱23,581,704

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains (Loss) on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2010, as previously stated	₱677,116	₱8,075,641	₱1,101	₱37,589	₱120,411	₱34,778	₱6,055,043	₱15,001,679	₱3,141,889	₱18,143,568
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	–	–	–	(40,513)	(40,513)	(22,749)	(63,262)
Balances at December 31, 2010, as restated	677,116	8,075,641	1,101	37,589	120,411	34,778	6,014,530	14,961,166	3,119,140	18,080,306
Net income	–	–	–	–	–	–	3,537,782	3,537,782	1,929,856	5,467,638
Other comprehensive income (loss)	–	–	–	(16,700)	(2,160)	(383)	1,661	(17,582)	(369)	(17,951)
Total comprehensive income (loss)	–	–	–	(16,700)	(2,160)	(383)	3,539,443	3,520,200	1,929,487	5,449,687
Cost of share-based payment	–	–	63,207	–	–	–	–	63,207	–	63,207
Cash dividends - ₱0.50 per common share (Note 17)	–	–	–	–	–	–	(669,916)	(669,916)	–	(669,916)
7% Cash dividends - Preferred share	–	–	–	–	–	–	(1,008)	(1,008)	–	(1,008)
Share of non-controlling interest in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	(757,500)	(757,500)
Share of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	67,446	67,446
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	383	383	–	383
Balances at December 31, 2011	₱677,116	₱8,075,641	₱64,308	₱20,889	₱118,251	₱34,395	₱8,883,432	₱17,874,032	₱4,358,573	₱22,232,605

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,710,651**	₱4,454,998	₱7,153,653
Adjustments for:			
Depreciation, amortization and depletion (Note 26)	**1,262,651**	981,883	733,821
Equity in net losses of an associate (Note 11)	**184,703**	114,639	196,185
Interest income (Note 27)	**(156,288)**	(226,414)	(208,436)
Dividend income (Notes 7 and 29)	**(62,654)**	(192,720)	(436,369)
Movements in pension liability	**49,841**	34,451	35,651
Unrealized foreign exchange losses (gains) - net (Note 29)	**41,647**	(40,294)	(23,773)
Interest expense (Notes 21 and 28)	**38,313**	63,989	45,108
Cost of share-based payment plan (Note 18)	**10,369**	2,759	63,207
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	**8,554**	13,539	10,355
Loss (gain) on :			
Sale of investment properties (Note 29)	**(145,095)**	–	–
Sales of property and equipment (Note 29)	**(82,005)**	1,369	2,896
Valuation on AFS financial assets transferred from equity to statement of income - net (Notes 7, 27 and 28)	**(7,308)**	(6,490)	18,316
Write-up of long-term stockpile inventory (Note 29)	**–**	–	(573,090)
Casualty losses (Note 29)	**2,785**	–	239,459
Operating income before working capital changes	**4,856,164**	5,201,709	7,256,983
Decrease (increase) in:			
Trade and other receivables	**88,383**	219,027	(46,994)
Inventories	**244,266**	95,480	(450,008)
Other current assets	**(66,947)**	(63,655)	(41,461)
Increase (decrease) in trade and other payables	**73,959**	(298,964)	276,229
Net cash generated from operations	**5,195,825**	5,153,597	6,994,749
Income taxes paid	**(1,201,218)**	(1,244,344)	(1,666,737)
Interest received	**166,316**	225,818	208,436
Interest paid	**(40,001)**	(56,107)	(42,721)
Net cash flows from operating activities	**4,120,922**	4,078,964	5,493,727
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment and investment properties (Notes 9 and 10)	**(1,931,125)**	(2,719,033)	(1,293,765)
AFS financial assets (Note 7)	**(374,074)**	(574,747)	(889,929)
Proceeds from:			
Sale of investment properties	**185,576**	–	–
Sale of AFS financial assets	**119,172**	77,753	674,387

(Forward)

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Proceeds from:			
Sale of property and equipment	**₱110,711**	₱5,115	₱401
Dividends received	**62,654**	192,720	436,369
Decrease (increase) in other noncurrent assets	**(85,997)**	(280,460)	253,331
Net cash flows used in investing activities	**(1,913,083)**	(3,298,652)	(819,206)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Exercise of stock options	**16,662**	33,557	–
Availment of long-term debt	**–**	–	308,142
Investment of non-controlling interest in a subsidiary	**–**	–	67,446
Increase (decrease) in deferred income	**(12,867)**	4,132	355
Payments of:			
Cash dividends (Notes 17 and 30)	**(1,185,252)**	(1,673,452)	(1,428,424)
Long-term debt	**(118,473)**	(123,371)	(85,598)
Rehabilitation cost (Note 16)	**(10,149)**	–	–
Net cash flows used in financing activities	**(1,310,079)**	(1,759,134)	(1,138,079)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**897,760**	(978,822)	3,536,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,263,451**	10,350,592	6,805,968
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**73,125**	(108,319)	8,182
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱10,234,336**	₱9,263,451	₱10,350,592

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

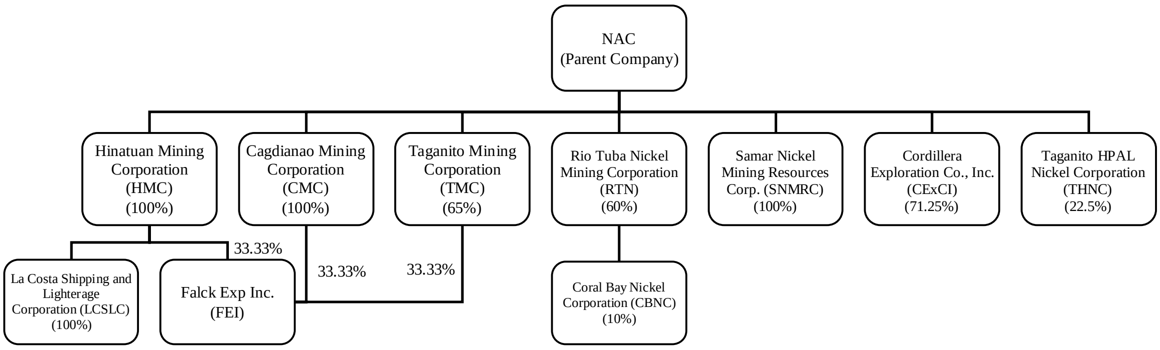
(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

1. **Corporate Information**

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

On November 22, 2010, the Company was listed on the Philippine Stock Exchange (PSE) with an initial public offering (IPO) of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818 with an offer price of ₱15.00 per share, which is equivalent to ₱8.00 per share after the stock dividends (see Note 17).

<u>Parent Company Ownership Map</u>



<u>The Subsidiaries</u>

HMC

HMC was registered with the SEC on October 9, 1979, is a one hundred percent (100%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Hinatuan and Nonoc Islands, Surigao del Norte and Manicani Island, Eastern Samar. The registered office address of HMC is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

CMC

CMC was registered with the SEC on July 25, 1997, is a one hundred percent (100%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Island. The registered office address of CMC is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

TMC

TMC was registered with the SEC on March 4, 1987, is a sixty-five percent (65%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. TMC also provides non-mining services such as handling, hauling and transportation of materials required in the processing operations of THNC. The registered office address of TMC is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

RTN
RTN was registered with the SEC on July 15, 1965, is a sixty percent (60%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan and providing non-mining services. The registered office address of RTN is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

FEI
FEI was registered with the SEC on November 22, 2005, is an eighty-eight percent (88%) owned subsidiary of the Company through HMC, CMC and TMC, and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. FEI is dormant until the Company decides to resume its operations. The registered office address of FEI is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

LCSLC
LCSLC was registered with the SEC on October 23, 1992, is a one hundred percent (100%) owned subsidiary of the Company through HMC, and is primarily engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. The registered office address of the Company is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig. LCSLC was acquired by HMC in April 2010.

SNMRC
SNMRC was registered with the SEC on March 11, 2010, is a one hundred percent (100%) owned subsidiary of the Company and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations. The registered office address of SNMRC is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

CExCI
CExCI was registered with the SEC on October 19, 1994, is a seventy-one percent (71%) owned subsidiary of the Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. It is currently not engaged in any development or commercial production activities. The registered office address of CExCI is at 29th floor NAC Tower 32nd Street, Bonifacio Global City, Taguig.

<u>Executive Order (EO) 79</u>
On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the operating subsidiaries and mines are covered by existing Mineral Production Sharing Agreements (MPSA) with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the conversion of the Group's mineral properties covered by Exploration Permits or Exploration Permit Application or Application for Production Sharing Agreements given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 24, 2014, the Board of Directors (BOD) of the Parent Company approved the amendment of its Articles of Incorporation to reflect the change in its principal office address from 6th floor NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City to NAC Tower 32nd Street, Bonifacio Global City, Taguig, subject to the approval of the Parent Company's stockholders in June 2014 (see Note 37).

The consolidated financial statements as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were authorized for issuance by the Parent Company's BOD on March 24, 2014.

2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for AFS financial assets which are measured at fair value. The consolidated financial statements and these notes are presented in Philippine peso, the Parent Company's and its subsidiaries' functional currency. All amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policy as discussed below in changes in accounting policy and disclosures.

The specific accounting policies followed by the Group are disclosed in the following section.

Statement of Compliance

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

Basis of Consolidation from January 1, 2010

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

	Principal Place of Business	Principal Activities	Effective Ownership 2013	2012
Subsidiaries				
HMC	Philippines	Mining	**100.00%**	100.00%
CMC	Philippines	Mining	**100.00%**	100.00%
SNMRC	Philippines	Mining	**100.00%**	100.00%
LCSLC*	Philippines	Services	**100.00%**	100.00%
FEI*	Philippines	Mining	**88.00%**	88.00%

(Forward)

	Principal Place of Business	Principal Activities	Effective Ownership	
			2013	2012
CExCI	Philippines	Mining	**71.25%**	71.25%
TMC	Philippines	Mining and Services	**65.00%**	65.00%
RTN	Philippines	Mining and Services	**60.00%**	60.00%
Associate				
THNC	Philippines	Manufacturing	**22.50%**	22.50%

*Direct and indirect ownership

The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using uniform accounting policies.

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

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

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

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

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

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

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

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

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

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

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

Basis of Consolidation Prior to January 1, 2010
The above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Non-controlling interests represented the portion of profit or loss and net assets in the Subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position separately from the parent's equity.
- Acquisition of non-controlling interest is accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS, PAS, and Philippine Interpretations which were adopted as at January 1, 2013.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instrument: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
  c) The net amounts presented in the consolidated statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities.* PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance and that the Parent Company retained the control of the companies under the Group.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures,* and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group has assessed that the application of PFRS 11 has no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 30.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to the consolidated statement of income at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments were applied retrospectively and resulted to the modification of the presentation of items of OCI on the consolidated statements of comprehensive income.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple classifications and rewordings. The revised standard also requires new disclosures such as, among others:
  a) a sensitivity analysis for each significant actuarial assumption;
  b) information on asset-liability matching strategies;
  c) duration of the defined benefit obligation; and
  d) disaggregation of plan assets by nature and risk.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in the consolidated statement of income when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested.

Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in the consolidated statement of income in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits.

In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	As at December 31, 2013		
	Under previous PAS 19	Increase (decrease)	Under revised PAS 19
Consolidated statements of financial position:			
Pension liability	**₱135,028**	**₱144,047**	**₱279,075**
Deferred income tax assets	**301,229**	**43,214**	**344,443**
Retained earnings attributable to:			
Equity holders of the parent	**9,811,708**	**(62,803)**	**9,748,905**
Non-controlling interests	**4,759,670**	**(38,030)**	**4,721,640**

	As at December 31, 2012, as restated		
	As previously reported	Increase (decrease)	As restated
Consolidated statements of financial position:			
Pension asset under "Other noncurrent assets"	₱38,566	₱18,420	₱56,986
Deferred income tax assets	351,177	13,720	364,897
Pension liability	90,797	45,735	136,532
Deferred income tax liabilities	544,925	5,526	550,451
Retained earnings attributable to:			
Equity holders of the parent	9,737,447	(12,283)	9,725,164
Non-controlling interests	4,712,116	(6,838)	4,705,278

	As at January 1, 2012		
	As previously reported	Increase (decrease)	As restated
Consolidated statements of financial position:			
Pension asset under "Other noncurrent assets" (Pension liability)	₱3,873	(₱33,582)	(₱29,709)
Deferred income tax assets	486,124	15,727	501,851
Pension liability	74,932	52,424	127,356
Deferred income tax liabilities	595,700	(10,075)	585,625
Retained earnings attributable to:			
Equity holders of the parent	8,920,976	(37,544)	8,883,432
Non-controlling interests	4,381,233	(22,660)	4,358,573

	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Consolidated statements of income:			
Increase (decrease)			
Net pension costs	**(₱3,619)**	₱33,727	(₱2,973)
Provision for income tax	**1,086**	(10,118)	892
Net income attributable to:			
Equity holders of the parent	**1,588**	(14,106)	1,308
Non-controlling interests	**945**	(9,503)	773
Consolidated statements of comprehensive income:			
Increase (decrease)			
Remeasurements of pension liability	**(130,855)**	92,417	1,395
Income tax effects	**39,256**	(27,725)	(418)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	**(57,875)**	25,261	2,969
Non-controlling interests	**(31,191)**	15,822	89

The net effect of all transitions adjustments are closed to retained earnings on the transition date. The Revised PAS 19 has been applied retrospectively from January 1, 2012, in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at January 1, 2012 as adjustment to opening balances.

The application of Revised PAS 19 did not have a material effect on the consolidated statements of cash flows. The effect on the earnings per share and disclosures on segment information for the years ended December 31, 2013, 2012 and 2011 is not material.

Change of Presentation
Upon adoption of the Revised PAS 19, the presentation of the consolidated statement of income was updated to reflect these changes. Net interest is now shown under the finance income/expense line item (previously under personnel expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefits pension liability (net defined benefits pension asset). In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendments affect disclosures only and have no material impact on the Group's financial position or performance.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

Annual Improvements to PFRSs (2009-2011 cycle)
The annual improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

<u>New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2013</u>

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for

annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The amendment has no impact on the Group's financial position or performance.

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the entities in the Group is also the Philippine peso. Transactions in foreign currencies are initially recorded in Philippine peso at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at each end of the reporting period. All differences are taken to consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

As at the end of the reporting period, the consolidated statement of financial position of an associate (whose functional currency is other than the Philippine peso) is translated into the presentation currency of the Parent Company (the Philippine peso) at the rate of exchange at the end of the reporting period and the statement of income is translated at the monthly average exchange rates for the year. The exchange differences arising on the translation is recognized in OCI. Upon disposal of such associate, the component of OCI relating to that particular foreign operation will be recognized in the consolidated statement of income.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments
The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

Financial Assets
Financial assets within the scope of PAS 39 are classified in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. The Group has no financial assets classified as financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2013 and 2012.

Financial Liabilities
Also under PAS 39, financial liabilities are classified into financial liabilities at FVPL, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax.

The Group's financial liabilities are in the nature of other financial liabilities. The Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge as at December 31, 2013 and 2012.

Fair Value Measurement

The Group measures financial instruments, such as AFS financial assets, at fair value at each end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “financial assets held for trading”, designated as “AFS financial assets” or “financial assets designated at FVPL”. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The amortization and losses arising from impairment are included in "Finance income (expenses)" in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans are derecognized or impaired as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period or within the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013 and 2012, the Group's loans and receivables include cash and cash equivalents, trade and other receivables, and cash held in escrow, mine rehabilitation fund (MRF), Social Development Management Program (SDMP) fund and long-term negotiable instrument which are included under "Other noncurrent assets" in the consolidated statement of financial position (see Notes 4, 5 and 13).

AFS Financial Assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated at FVPL, HTM investments or loans and receivables.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The effective yield component of AFS debt instruments, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income under "Finance income" or "Finance expenses". The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in the consolidated statement of comprehensive income as "Net valuation gain (loss) on AFS financial assets". Unquoted AFS financial assets, where there is no reliable basis of their fair values, are measured at cost less any impairment loss.

AFS financial assets are included in current assets if it is expected to be realized or disposed of within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Where the Group holds more than one (1) investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as "Finance income" using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated statements of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

The Group's investments in debt and equity securities are classified under this category (see Note 7).

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Group's statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under "Finance expenses" in the consolidated statement of income.

This accounting policy applies primarily to the Group's long-term debt, trade and other payables and other obligations that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension; see Notes 14 and 15).

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets
The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss was incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original EIR.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of “Finance income” in the consolidated statement of income. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets
For AFS financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is “significant” or “prolonged” requires judgment. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized as OCI is removed from equity and recognized in the consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of “Finance income” in the consolidated statement of income. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

If there is objective evidence that an impairment loss on an unquoted equity instrument for AFS financial assets carried at cost, such as unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Objective evidence of impairment includes, but is not limited to, significant financial difficulty of the issuer or obligor and it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

Inventories

Inventories, excluding the long-term stockpile inventory, are valued at the lower of cost or net realizable value (NRV). Cost is determined by the average production cost during the year for beneficiated nickel silicate ore and limestone ore exceeding a determined cut-off grade and moving average method for materials and supplies. NRV of beneficiated nickel silicate and limestone ore inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For materials and supplies, cost is composed of purchase price, transport, handling and other costs directly attributable to its acquisition. NRV of materials and supplies is the current replacement cost.

Long-term Stockpile Inventory
The long-term stockpile inventory of RTN is carried at the lower of cost or NRV. Cost is represented by the fair value of the long-term stockpile inventory related to the acquisition of the controlling interest in RTN in August 2006. The fair value was determined using the present value of the estimated cash flows, which RTN will derive from the sale of this inventory to CBNC under its Nickel Ore Supply Agreement with CBNC (see Note 31a). After initial recognition, the long-term stockpile inventory is subsequently charged to cost of sales based on actual tons delivered to CBNC. NRV of long-term inventory stockpile is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Other Current Assets
Other current assets include input tax, tax credit certificates, advances and deposits and various prepayments which the Group's expects to realize or consume the assets within twelve (12) months after the end of the reporting period.

Property and Equipment
Except for land, property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment loss. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed on the straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Machinery and equipment	5
Buildings and improvements	5-25

Mining properties and development costs include the capitalized cost of mine rehabilitation and decommissioning and other development cost necessary to prepare the area for operations. Depletion of mining properties and development costs is calculated using the unit-of-production method based on the estimated economically recoverable reserves to which they relate to or are written-off if the property is abandoned. Development costs are depreciated using the straight-line method over the estimated useful life of the asset of twenty years (20) to twenty-five (25) years.

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use.

Depreciation and amortization of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The assets' estimated recoverable reserves, residual values, useful lives and depreciation, amortization and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values, if any, is reviewed and adjusted, if appropriate, at each end of the reporting period.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

The asset revaluation surplus which arose from the acquisition of the controlling interest in RTN in August 2006, relates to the land, machinery and equipment, and building improvements. The related and applicable depreciation on these assets is transferred periodically to retained earnings.

Borrowing Cost
Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of the asset to the extent incurred during the period of construction is capitalized as part of the cost of the asset. The capitalization of the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment Properties
Investment property is measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is computed on a straight-line basis over the estimated useful life of twelve (12) years.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

As the accounting for the investment property uses the cost model, transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Investment in an Associate
An associate is an entity over which the Company is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The Group's investment in an associate is accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Other Noncurrent Assets
Other noncurrent assets of the Group include input tax, advances to claimowners, cash held in escrow, deferred mine exploration costs, MRF, SDMP fund, long-term negotiable instrument, pension asset and other deposits. These are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

Deferred Mine Exploration Costs and Mining Rights
Expenditures for the acquisition of property rights are capitalized. Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to property and equipment. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.
Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.

Impairment of Nonfinancial Assets
Inventories and Long-term Stockpile
The Group determines the NRV of inventories and long-term stockpile at each end of the reporting period. If the cost of the inventories and long-term stockpile exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the statement of income in the year the impairment is incurred. In the case when NRV of the inventories and long-term stockpile increased subsequently, the NRV will increase carrying amounts of inventories but only to the extent of their original acquisition costs.

Property and Equipment, Investment Properties, Nonfinancial Other Current Assets and Other Noncurrent Assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair

value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statement of income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Investment in an Associate
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting period, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Deferred Mine Exploration Costs
An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Deferred mine exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the consolidated statement of income as "Finance expenses". Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur. Decrease in rehabilitation liability that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in the consolidated statement of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

MRF committed for use in satisfying environmental obligations are included within "Other noncurrent assets" in the consolidated statement of financial position.

OCI

OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Capital Stock

Common shares are classified as equity.

Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Parent Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD. Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as "Finance expenses" in the consolidated statement of income as accrued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividends, prior period adjustments, effect of changes in accounting policies and other capital adjustments.

Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved or declared by the Parent Company's BOD and/or stockholders.

Share-based Payment Transactions
The executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period in the consolidated statement of income represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in personnel costs.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Basic/Diluted EPS
Basic EPS
Basic EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS
Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Beneficiated Nickel Silicate and Limestone Ore

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which in the case of deliveries other than to CBNC, coincides with the loading of the ores into the buyer's vessel. In the case of deliveries to CBNC, this occurs at the time the ore passes into the ore preparation hopper of CBNC's plant. Under the terms of the arrangements with customers, the Group bills the remaining ten percent to twenty percent (10% - 20%) of the ores shipped based on the assay tests agreed by both the Group and the customers. Where the assay tests are not yet available as at the end of the reporting period, the Group accrues the remaining ten percent to twenty percent (10% - 20%) of the revenue based on the amount of the initial billing made.

Rendering of Services

Revenue from rendering of services consists of construction contracts, service fees, usage fees and materials handling fees. Contract fee is recognized by reference to the stage of completion of the service. Service fee, usage fee and materials handling fee are recognized when the services are substantially rendered.

Interest

Revenue is recognized as interest accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend

Dividend income is recognized when the Group's right to receive payment is established.

Rental

Revenue is recognized based on a straight-line basis over the term of the lease agreement.

Despatch

Despatch pertains to the income earned when the shipment is loaded within the allowable laytime Revenue is recognized when shipment loading is completed within the allowable laytime.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses, finance expenses and other charges are recognized in the consolidated statement of income in the period these are incurred.

Cost of Sales

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of cost of goods sold, which are provided in the period when goods are delivered.

Cost of Services

Cost of services is incurred in the normal course of business and is provided in the period when the related service has been rendered.

Operating Expenses
Operating expenses consist of costs associated with the development and execution of marketing and promotional activities, cost of shipping and loading, excise taxes and royalties due to the Government and to indigenous people, and expenses incurred in the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense arises.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.
e) where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Pension costs" under "Personnel costs" in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest expense" under "Finance expenses" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods. Remeasurements recognized in the consolidated statement of comprehensive income after the initial adoption of Revised PAS 19 are closed to retained earnings.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized outside consolidated statement of income is recognized outside consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Business Segments
For management purposes, the Group is organized into operating segments (mining and services) according to the nature of the products and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The segment locations are the basis upon which the Group reports its primary segment information for the mining segment. All of the segments operate and generate revenue only in the Philippines. Financial information on business segments is presented in Note 39.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Reporting Period
Post year-end events that provide additional information about the Group's position at each end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. Each subsidiary in the Group also determines its own functional currency. The functional currency of the subsidiaries in the Group is also the Philippine peso. The functional currency is the currency of the primary economic environment in which the Parent Company and its subsidiaries operates. It is the currency that mainly influences the costs and expenses, in which funds from financing activities are generated, and in which receipts from operating activities are generally retained.

Classifying Financial Instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Determining Operating Lease Commitments - Group as a Lessee
The Group has entered into commercial property and equipment leases. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Determining Operating Lease Commitments - Group as a Lessor
The Group has entered into a property lease on its mine infrastructure and property and equipment leases. The Group has determined that it retains all the significant risks and rewards of ownership of the said properties which are being leased out on operating lease.

Assessing Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or amortization commences.

<u>Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have the most significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Estimating Allowance for Impairment Losses on Trade and Other Receivables
The Group evaluates specific accounts where the Group has information that certain customers, which include related parties, are unable to meet their financial obligations. The Group assesses individually the receivables based on factors that affect its collectibility. Factors such as the Group's length of relationship with the customers, the customer's current credit status, probability of insolvency and significant financial difficulties of customers are considered to ascertain the amount of allowances that will be recorded in the receivables account. These allowances are re-evaluated and adjusted as additional information is received.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of trade and other receivables amounted to ₱839.4 million and ₱937.9 million as at December 31, 2013 and 2012, respectively (net of allowance for impairment losses of ₱38.9 million and ₱43.7 million as at December 31, 2013 and 2012, respectively; see Note 5).

Estimating Beneficiated Nickel Ore and Limestone Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying values of property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets and depreciation and depletion charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of the reserves. The Group reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel prices or production costs and other factors.

Estimating Recoverability of Long-term Stockpile Inventory
The determination of the Group's long-term stockpile inventory include among others, projected revenues, operating and delivering costs from the sale of the long-term stockpile. Actual results that differ from the Group's assumptions generally affect the Group's recognized expense. The long-term stockpile inventory is carried at the lower of cost or NRV. An allowance for inventory losses is recognized when the carrying value of the asset is not recoverable and exceeds the NRV. Long-term stockpile inventory - net of current portion amounted to ₱981.5 million and ₱1,266.0 million as at December 31, 2013 and 2012, respectively (see Note 12).

Estimating Allowance for Impairment Losses on Inventory
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the number of contained nickel ore ounces based on assay data. Stockpile tonnages

are verified by periodic surveys. NRV test for materials and supplies is also performed annually and it represents the current replacement cost. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

As at December 31, 2013 and 2012, inventories carried at lower of cost or NRV amounted to ₱2,044.5 million and ₱2,004.2 million, respectively (net of allowance for inventory losses of ₱374.3 million and ₱383.4 million as at December 31, 2013 and 2012, respectively; see Note 6).

Estimating Impairment Losses on AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as twenty percent (20%) or more of the original cost of investment, and "prolonged" as greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities in determining the amount to be impaired.

The Group treats unquoted AFS financial assets as impaired when there is objective evidence of impairment as a result of one (1) or more events or loss events and that loss event has an impact on the estimated future cash flows of the AFS financial assets. An objective evidence may include information about significant changes with an adverse effect that have taken place in the market, technological, economic or legal environment in which the investees operates, and indicates that the cost of the investment in the equity instruments may not be recovered.

No impairment loss was recognized on quoted and unquoted AFS financial assets in 2013 and 2012. The carrying values of AFS financial assets amounted to ₱2,438.9 million and ₱2,128.0 million as at December 31, 2013 and 2012, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment and Investment Properties
The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property and equipment and investment properties as at December 31, 2013 and 2012.

The carrying values of property and equipment as at December 31, 2013 and 2012 amounted to ₱6,585.8 million and ₱5,949.9 million, respectively (net of accumulated depreciation, amortization and depletion of ₱5,048.0 million and ₱3,951.5 million as at December 31, 2013 and 2012, respectively; see Note 9). The carrying values of investment properties as at December 31, 2013 and 2012 amounted to ₱29.0 million and ₱72.2 million, respectively (net of accumulated depreciation of nil and ₱70.0 million as at December 31, 2013 and 2012, respectively; see Note 10).

Estimating Impairment Losses on Property and Equipment and Investment Properties
The Group assesses impairment on property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized in 2013 and 2012.

The carrying values of property and equipment and investment properties amounted to ₱6,585.8 million and ₱29.0 million, respectively, as at December 31, 2013 and ₱5,949.9 million and ₱72.2 million, respectively, as at December 31, 2012 (see Notes 9 and 10).

Estimating Impairment Losses on Investment in an Associate
Impairment review of investment in an associate is performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. Management has determined that there are no events or changes in circumstances in 2013 and 2012 that may indicate that the carrying value of investment in an associate may not be recoverable. No impairment loss was recognized on investment in an associate in 2013 and 2012. The carrying values of the Group's investment in an associate amounted to ₱4,112.1 million and ₱3,988.9 million as at December 31, 2013 and 2012, respectively (see Note 11).

Estimating Recoverability of Deferred Mine Exploration Costs
The application of the Group's accounting policy for deferred mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after mine explorations costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

Deferred mine exploration costs, included in “Other noncurrent assets”, as at December 31, 2013 and 2012 amounted to ₱197.0 million and ₱142.4 million, respectively (net of allowance for impairment losses of ₱144.2 million and nil as at December 31, 2013 and 2012, respectively; see Note 13).

Estimating Allowance for Impairment Losses on Nonfinancial Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on nonfinancial other current assets and other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other current assets or other noncurrent assets.

The carrying values of nonfinancial other current assets amounted to ₱225.4 million and ₱157.9 million as at December 31, 2013 and 2012, respectively, while nonfinancial other noncurrent assets amounted to ₱840.6 million and ₱814.7 million as at December 31, 2013 and 2012, respectively.

The allowance for impairment losses on the Group’s nonfinancial other current assets amounted to ₱0.5 million and ₱0.9 million as at December 31, 2013 and 2012, respectively (see Note 8). The allowance for impairment losses on the Group’s nonfinancial other noncurrent assets as at December 31, 2013 and 2012 amounted to ₱160.6 million and ₱16.5 million, respectively (see Note 13).

Estimating Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision at the end of the reporting period represents management’s best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

The Group revised its estimate of the mine rehabilitation and decommissioning cost resulting to an adjustment on capitalized cost amounting to nil and ₱57.3 million in 2013 and 2012, respectively. Provision for mine rehabilitation and decommissioning amounted to ₱130.9 million and ₱132.5 million as at December 31, 2013 and 2012, respectively (see Note 16).

Determining Pension Benefits
The determination of the Group’s obligation and costs for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 32, include among others, discount rates, expected rates of return and future salary increase rates. In accordance with PAS 19, actual results that differ from the Group’s assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. While

management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other retirement obligations.

As at December 31, 2013 and 2012, pension asset included under "Other noncurrent assets" account amounted to nil and ₱57.0 million, respectively (see Notes 13 and 32). Pension liability amounted to ₱279.1 million and ₱136.5 million as at December 31, 2013 and 2012, respectively (see Note 32).

Share-based Payment Transactions
The Parent Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized as expense in 2013, 2012 and 2011, with a corresponding charge to the equity account amounted to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively. As at December 31, 2013 and 2012, the balance of the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱49.5 million and ₱57.5 million, respectively (see Note 18).

Assessing Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has net deferred income tax assets amounting to ₱344.4 million and ₱364.9 million as at December 31, 2013 and 2012, respectively (see Note 33).

As at December 31, 2013 and 2012, the Group has temporary difference on net operating loss carry over (NOLCO) and excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) amounting to ₱80.6 million and ₱786.7 million, respectively, for which no deferred income tax asset was recognized because it is more likely than not that the carryforward benefit will not be realized on or prior to its expiration (see Note 33).

Determining Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates

are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 35).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand and with banks	**₱4,981,843**	₱637,617
Short-term cash investments	**5,252,493**	8,625,834
	₱10,234,336	₱9,263,451

Cash with banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

Interest income earned from cash and cash equivalents amounted to ₱143.0 million, ₱205.7 million and ₱196.7 million in 2013, 2012 and 2011, respectively (see Note 27).

The Group has US$ denominated cash and cash equivalents amounting to $59.4 million, equivalent to ₱2,636.9 million, and $15.0 million, equivalent to ₱613.9 million, as at December 31, 2013 and 2012, respectively (see Note 34).

Cash with banks amounting to ₱65.1 million and ₱64.2 million as at December 31, 2013 and 2012, respectively, representing proceeds from the IPO, were deposited in escrow and are restricted as to withdrawal for specified purpose as determined in the prospectus submitted with the SEC; thus, are classified as “Other noncurrent assets” (see Note 13).

5. Trade and Other Receivables

	2013	2012
Trade (see Note 31)	**₱654,568**	₱568,266
Advances to suppliers and contractors	**63,154**	119,172
Receivable from CBNC (see Note 31)	**50,049**	73,429
Amounts owed by related parties (see Note 31)	**9,212**	14,251
Notes receivable	**–**	76,278
Others (see Note 31)	**101,409**	130,205
	878,392	981,601
Less allowance for impairment losses	**38,943**	43,741
	₱839,449	₱937,860

Trade receivables and receivable from CBNC are noninterest-bearing and are generally on seven (7)-day to thirty (30)-days’ terms.

Advances to suppliers and contractors represent payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and completion of services.

Notes receivable pertains to US$ denominated promissory note amounting to US$1.9 million with an EIR of 4.5%, issued by Exchange Equity Company on September 12, 2012. The notes matured on September 12, 2013.

Other receivables include advances to third party companies which are collectible on demand. This also includes despatch receivables which are generally on seven (7)-day to thirty (30)-days' terms.

The Group has US$ denominated trade and other receivables amounting to $11.5 million, equivalent to ₱538.1 million, and $13.4 million, equivalent to ₱552.1 million, as at December 31, 2013 and 2012, respectively (see Note 34).

Movements of allowance for impairment losses as at December 31, 2013 and 2012 are as follow:

2013	**Trade**	**Others**	**Total**
Balances at January 1	**₱32,436**	**₱11,305**	**₱43,741**
Provisions (see Note 28)	**779**	**1,488**	**2,267**
Write-off	**(4,316)**	**–**	**(4,316)**
Reversal (see Note 29)	**(4,769)**	**–**	**(4,769)**
Foreign exchange adjustments	**2,020**	**–**	**2,020**
Balances at December 31	**₱26,150**	**₱12,793**	**₱38,943**

2012	Trade	Others	Total
Balances at January 1	₱224,141	₱10,494	₱234,635
Provisions (see Note 28)	–	811	811
Write-off	(186,035)	–	(186,035)
Foreign exchange adjustments	(5,670)	–	(5,670)
Balances at December 31	₱32,436	₱11,305	₱43,741

6. **Inventories**

	2013	2012
Beneficiated nickel ore and limestone ore - at cost	**₱1,188,354**	₱1,140,500
Beneficiated nickel ore - at NRV	**343,559**	331,239
Current portion of long-term stockpile inventory (see Note 12)	**188,456**	139,076
Materials and supplies:		
At NRV	**253,631**	352,077
At cost	**70,469**	41,296
	₱2,044,469	₱2,004,188

Movements of allowance for inventory losses in 2013 and 2012 follow:

2013	**Beneficiated nickel ore**	**Materials and supplies**	**Total**
Balances at January 1	**₱340,014**	**₱43,405**	**₱383,419**
Provisions (see Note 29)	**63,605**	**–**	**63,605**
Reversals (see Note 29)	**(69,966)**	**(2,802)**	**(72,768)**
Balances at December 31	**₱333,653**	**₱40,603**	**₱374,256**

2012	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱360,052	₱43,405	₱403,457
Reversals (see Note 29)	(8,226)	–	(8,226)
Write-off	(11,812)	–	(11,812)
Balances at December 31	₱340,014	₱43,405	₱383,419

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱677.2 million and ₱671.3 million as at December 31, 2013 and 2012, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱294.2 million and ₱395.5 million as at December 31, 2013 and 2012, respectively.

Costs of inventories charged as expense amounted to ₱4,788.0 million, ₱4,738.5 million and ₱3,574.8 million in 2013, 2012 and 2011, respectively (see Notes 20 and 22).

7. AFS Financial Assets

	2013	2012
Quoted instruments:		
Debt securities	**₱1,318,364**	₱1,020,750
Equity securities	**201,830**	188,544
Unquoted equity securities	**918,744**	918,744
	2,438,938	2,128,038
Less noncurrent portion	**1,181,568**	1,041,934
	₱1,257,370	₱1,086,104

Quoted instruments are carried at fair market value as at the end of the reporting period. Unquoted equity instruments are carried at cost as at the end of the reporting period, since the fair values of these investments cannot be reliably measured.

The movements in AFS financial assets account follow:

	2013	2012
Balances at January 1	**₱2,128,038**	₱1,568,861
Additions	**374,074**	574,747
Disposals	**(109,713)**	(71,263)
Effect of changes in foreign exchange rate (see Note 29)	**860**	(11,217)
Valuation gains on AFS financial assets	**45,679**	66,910
Balances at December 31	**₱2,438,938**	₱2,128,038

The movements in "Net valuation gains on AFS financial assets" presented as a separate component of equity follow:

	2013	2012
Balances at January 1	**₱65,199**	₱20,889
Movements recognized in equity:		
Gains recognized in equity	**52,987**	73,400
Reclassification adjustments for income included in the consolidated statements of income (see Note 27)	**(7,308)**	(6,490)
Income tax effect	**(15,636)**	(16,048)
Valuation gains taken into the consolidated statements of comprehensive income	**30,043**	50,862
Non-controlling interests in losses (gains) recognized in equity	**4,264**	(6,552)
Balances at December 31	**₱99,506**	₱65,199

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, golf club shares and debt securities. As at December 31, 2013 and 2012, quoted debt and equity securities amounting to ₱1,257.4 million and ₱1,086.1 million, respectively, were classified as current based on management's intention to dispose the instruments within one (1) year from the end of the reporting period.

The noncurrent portion of AFS financial assets amounted to ₱1,181.6 million and ₱1,041.9 million as at December 31, 2013 and 2012, respectively. As at December 31, 2013, the Group has no intention to dispose its unquoted equity shares within the next year.

Dividend income earned from AFS equity securities amounted to ₱62.7 million, ₱192.7 million and ₱436.4 million in 2013, 2012 and 2011, respectively, of which ₱60.5 million, ₱191.9 million and ₱434.2 million relates to dividends coming from investments in unquoted securities (see Note 29), while interest income from AFS debt securities amounted to ₱12.0 million, ₱20.7 million and ₱8.5 million in 2013, 2012 and 2011, respectively (see Note 27).

The valuation gains of ₱30.0 million, ₱50.9 million and valuation losses of ₱16.4 million is net of share of non-controlling interests amounting to a valuation loss of ₱4.3 million and valuation gains of ₱6.6 million and ₱0.3 million as at December 31, 2013, 2012 and 2011, respectively.

The Group uses the specific identification method in determining the cost of securities sold.

No impairment loss was recognized on the Group's AFS unquoted equity securities in 2013 and 2012.

8. Prepayments and Other Current Assets

	2013	2012
Input tax (net of allowance for impairment losses of nil and ₱0.9 million in 2013 and 2012, respectively)	**₱106,050**	₱84,768
Prepaid taxes	**69,744**	34,635
Prepaid insurance	**27,398**	7,217
Prepaid rent and others	**11,459**	4,336
Advances and deposits	**7,244**	20,372
Tax credit certificates (net of allowance for impairment losses of ₱0.5 million and nil in 2013 and 2012, respectively; see Note 29)	**3,517**	6,616
	₱225,412	₱157,944

9. Property and Equipment

	2013					
	Land	**Mining Properties and Development Costs**	**Machinery and Equipment**	**Buildings and Improvements**	**Construction In-progress**	**Total**
Cost						
Balances at January 1	**₱252,458**	**₱591,689**	**₱6,323,765**	**₱2,384,412**	**₱349,073**	**₱9,901,397**
Additions	**1,831**	**–**	**1,049,144**	**179,888**	**700,262**	**1,931,125**
Transfers/reclassification	**–**	**–**	**23,272**	**193,388**	**(220,207)**	**(3,547)**
Disposals	**–**	**–**	**(132,160)**	**(43,567)**	**(19,483)**	**(195,210)**
Balances at December 31	**254,289**	**591,689**	**7,264,021**	**2,714,121**	**809,645**	**11,633,765**
Accumulated depreciation and depletion						
Balances at January 1	**–**	**199,239**	**3,043,613**	**708,617**	**–**	**3,951,469**
Depreciation, amortization and depletion (see Note 26)	**–**	**14,565**	**1,072,718**	**173,318**	**–**	**1,260,601**
Transfers/reclassification	**–**	**–**	**(338)**	**–**	**–**	**(338)**
Disposals	**–**	**–**	**(104,660)**	**(59,059)**	**–**	**(163,719)**
Balances at December 31	**–**	**213,804**	**4,011,333**	**822,876**	**–**	**5,048,013**
Net book values	**₱254,289**	**₱377,885**	**₱3,252,688**	**₱1,891,245**	**₱809,645**	**₱6,585,752**

	2012					
	Land	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost						
Balances at January 1	₱242,237	₱408,125	₱4,072,444	₱2,341,263	₱135,523	₱7,199,592
Additions	10,214	126,307	2,242,044	31,707	282,706	2,692,978
Adjustment for capitalized cost of mine rehabilitation and decommissioning	–	57,257	–	–	–	57,257
Transfers/reclassification	7	–	16,993	11,442	(64,721)	(36,279)
Disposals	–	–	(7,716)	–	(4,435)	(12,151)
Balances at December 31	252,458	591,689	6,323,765	2,384,412	349,073	9,901,397
Accumulated depreciation and depletion						
Balances at January 1	–	179,358	2,253,169	550,227	–	2,982,754
Depreciation, amortization and depletion (see Note 26)	–	19,881	795,560	158,941	–	974,382
Disposals	–	–	(5,116)	(551)	–	(5,667)
Balances at December 31	–	199,239	3,043,613	708,617	–	3,951,469
Net book values	₱252,458	₱392,450	₱3,280,152	₱1,675,795	₱349,073	₱5,949,928

Pier facilities (included under "Buildings and improvements") with a carrying value of ₱150.3 million and ₱195.6 million as at December 31, 2013 and 2012, respectively, were mortgaged as collateral for the long-term debt of RTN as mentioned in Note 15.

Depreciation on the excess of the fair value of the assets acquired from RTN over their corresponding book values transferred to retained earnings amounted to ₱0.4 million in 2013, 2012 and 2011.

10. Investment Properties

	2013	2012
Cost:		
Balances at January 1	**₱142,151**	₱116,096
Additions	**–**	26,055
Disposals	**(112,491)**	–
Reclassification	**(660)**	–
Balances at December 31	**29,000**	142,151
Accumulated depreciation:		
Balances at January 1	**69,960**	62,459
Depreciation (see Note 26)	**2,050**	7,501
Disposals	**(72,010)**	–
Balances at December 31	**–**	69,960
Net book values	**₱29,000**	₱72,191

Investment properties consist of condominium units rented out as office spaces and parcels of land located in Surigao City which is intended for leasing to THNC in the future. Rental income in 2013, 2012 and 2011 amounting to ₱6.0 million, ₱11.7 million and ₱11.2 million, respectively, are included under "Services and others" in the consolidated statements of income. Direct operating expenses in 2013, 2012 and 2011 amounted to ₱0.8 million, ₱6.6 million and ₱10.1 million, respectively, were included under "General and administrative expenses".

The estimated fair value of investment properties, excluding the land located in Surigao City, amounted to nil and ₱234.8 million as at December 31, 2013 and 2012, respectively. The fair value is determined using the approximate current selling price of the same type of building in Makati Central Business District.

The fair value of the land approximates its carrying value as at December 31, 2013 and 2012.

In 2013, investment properties with carrying amount of ₱40.5 million were sold for ₱185.6 million resulting to a gain of ₱145.1 million (see Note 29).

11. Investment in an Associate

The Parent Company, together with Sumitomo Metal Mining Co., Ltd. (SMM) and Mitsui and Co., Ltd. (Mitsui) signed a Stockholders' Agreement on September 15, 2010, dividing the ownership of THNC, into twenty-two and a half percent (22.5%), sixty-two and a half percent (62.5%) and fifteen percent (15.0%), respectively.

On November 4, 2010, pursuant to the terms of the above Agreement, the Parent Company entered into a subscription agreement with THNC for the subscription of 921,375,000 common shares for the total amount of US$102.4 million or ₱4,443.1 million, equivalent to 22.5% interest in 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. Its principal activities consist of the manufacture and export of nickel/cobalt mixed sulfide. THNC has started commercial operations in October 2013.

The following are the summarized financial information of THNC as at December 31, 2013 and 2012. THNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱44.40 and US$1 = ₱41.05 as at December 31, 2013 and 2012, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱42.43 and US$1 = ₱42.24 for the statements of income accounts in 2013 and 2012, respectively.

	2013	2012
Current assets	**₱6,837,555**	₱1,857,348
Noncurrent assets	**67,486,190**	56,899,567
Current liabilities	**(7,823,555)**	(566,681)
Noncurrent liabilities	**(48,674,289)**	(40,930,006)
Net assets	**₱17,825,901**	₱17,260,228
Revenue	**₱577,756**	₱105,714
Expenses	**1,381,329**	615,219
Net loss	**₱803,573**	₱509,506

Movements in the investment in an associate follow:

	2013	2012
Acquisition cost	**₱4,443,075**	₱4,443,075
Accumulated equity in net earnings:		
Balances at beginning of year	**(317,237)**	(202,598)
Equity in net losses	**(184,703)**	(114,639)
	(501,940)	(317,237)
Share in cumulative translation adjustment:		
Balances at beginning of year	**(136,909)**	131,390
Movement	**307,900**	(268,299)
	170,991	(136,909)
Balances as at December 31	**₱4,112,126**	₱3,988,929

The balance of investment in an associate includes goodwill of ₱105.4 million as at December 31, 2013 and 2012, while the share in cumulative translation adjustment of an associate is gross of deferred income tax liability of ₱30.8 million and nil, respectively (see Note 33).

12. **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. The low grade ore inventory was initially recognized and valued at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 31a). Subsequently, this fair value represented the cost of the long-term stockpile inventory. The fair value of the inventory as at the date of acquisition amounted to ₱2,036.7 million.

The cost of the long-term stockpile inventory is periodically charged to cost of sales based on the actual tonnage delivered to CBNC from the long-term stockpile. The amounts of ₱235.2 million, ₱133.0 million and ₱143.2 million were charged to "Cost of sales" in 2013, 2012 and 2011, respectively (see Note 20).

A portion amounting to ₱188.5 million and ₱139.1 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next reporting period, were shown as part of "Inventories" as at December 31, 2013 and 2012, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱981.5 million and ₱1,266.0 million as at December 31, 2013 and 2012, respectively.

13. **Other Noncurrent Assets**

	2013	2012
Input tax - net of current portion	**₱448,466**	₱412,254
Advances to claimowners (see Note 36e)	**235,922**	208,155
Deferred mine exploration costs	**197,028**	142,392
MRF	**125,467**	134,288
Deposit for aircraft acquisition	**98,924**	–
Cash held in escrow (see Note 4)	**65,118**	64,228
Long-term negotiable instruments	**30,000**	30,000
SDMP fund	**16,999**	2,563
Pension asset (see Note 32)	**–**	56,986
Others	**20,861**	11,405
	1,238,785	1,062,271
Less allowance for impairment losses	**160,645**	16,490
	₱1,078,140	₱1,045,781

Input tax represents the value-added tax (VAT) paid on purchases of applicable goods and services, net of output tax, which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Advances to claimowners represent advance royalty payments to East Coast Mineral Resources Co., Inc. (East Coast), La Salle Mining Exploration Company (La Salle), Kepha Mining Exploration Company (Kepha) and Ludgoron Mining Corporation (Ludgoron; see Note 36e).

Deferred mine exploration costs include mining rights of ₱32.3 million as at December 31, 2013 and 2012.

MRF is the amount deposited in local bank accounts established by the Group in compliance with the requirements of the Philippine Mining Act of 1995 as amended by Department of Environment and Natural Resources Administrative Order No. 2005-07. The MRF is earmarked for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. Any disbursement in the MRF should be authorized by the MRF Committee, the external overseeing body charged with the duties of managing, operating, monitoring and looking after the safety of the MRF. The MRF earns interest at the respective bank deposit rates.

RTN's deposit for aircraft acquisition pertains to advance payments made to World Aviation Corporation in 2013, for an absolute and exclusive right to purchase an aircraft exercisable within twelve (12) years.

The long-term negotiable instrument earns interest at 5.25% per annum and will mature in October 2019.

The SDMP fund shall be used for the sustainable development of the host and neighboring communities of the mine site, namely, Barangays Taganito, Hayanggabon, Urbiztondo and Cagdianao. In 2012, the fund was extended to the ten-non mining barangays within the Municipality of Claver and to the Province of Surigao del Norte. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the Mines and Geosciences Bureau (MGB). Movements of allowance for impairment losses in 2013 and 2012 follow:

2013	**Advances to claimowners**	**Deferred mine exploration costs**	**Total**
Balances at January 1	**₱16,490**	**₱–**	**₱16,490**
Provisions (see Note 29)	**–**	**144,155**	**144,155**
Balances at December 31	**₱16,490**	**₱144,155**	**₱160,645**

2012	Advances to claimowners	Deferred mine exploration costs	Total
Balances at January 1	₱21,400	₱61,376	₱82,776
Write-off	(4,910)	(61,376)	(66,286)
Balances at December 31	₱16,490	₱–	₱16,490

14. **Trade and Other Payables**

	2013	2012
Trade (see Note 31)	**₱475,971**	₱403,250
Accrued expenses (see Note 31)	**241,222**	254,400
Excise tax and royalties	**87,434**	114,591
Withholding taxes	**50,446**	38,811
Retention payable	**34,168**	446
Unearned income	**4,563**	8,677
Others (see Note 31)	**34,309**	43,840
	₱928,113	₱864,015

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled in less than thirty (30) days' term. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties. Withholding taxes are payable ten (10) days after the end of each month.

Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business. Accrued expenses substantially consist of contractor's fees and rental which are usual in the business operations of the Group.

Retention payable pertains to the ten percent (10%) of the gross payable amount retained by TMC from its supplier and will be paid upon the completion of the construction of the conveyor system.

The Group has US$ denominated trade and other payables amounting to $1.4 million, equivalent to ₱63.4 million, and $1.2 million, equivalent to ₱50.5 million as at December 31, 2013 and 2012, respectively (see Note 34).

15. **Long-term Debt**

	2013	2012
TMC	**₱1,359,597**	₱1,328,994
RTN	**179,000**	210,295
	1,538,597	1,539,289
Less noncurrent portion:		
TMC	**1,281,906**	1,257,156
RTN	**139,222**	165,514
	1,421,128	1,422,670
Current portion	**₱117,469**	₱116,619

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to $35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone (TSEZ). The loan shall be drawn down in one or multiple times by July 31, 2011. As at December 31, 2013 and 2012, the total loan drawn down by TMC amounted to $35.0 million.

Starting 2012, the interest on the loan is payable semi-annually in October 10 and April 10. The total principal is payable in semi-annual installments of $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 December 31, 2013 and 2012, TMC is in compliance with the restrictions.

Interest expense in 2013, 2012 and 2011 amounting to ₱33.5 million, ₱38.1 million and ₱27.6 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 21). In March 2011, TMC completed the construction of pier facilities and the related borrowing cost capitalized as part of the construction-in progress was ₱7.8 million. No borrowing costs were recognized after the completion of the construction.

RTN Loan

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

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

In consideration, and to ensure payment of these loans, RTN assigned, transferred, and set over to SMM, absolutely and unconditionally, all of RTN's rights, title, and interest over its future receivable from CBNC under the Throughput Agreement (see Note 36b). RTN also constituted a first ranking mortgage on the pier facilities (see Note 9).

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any governmental authority affecting RTN. As at December 31, 2013 and 2012, RTN is in compliance with the restrictions.

Interest expense amounted to ₱4.8 million, ₱6.5 million and ₱7.3 million in 2013, 2012 and 2011, respectively (see Note 28).

16. **Provision for Mine Rehabilitation and Decommissioning**

	2013	2012
Balances at January 1	**₱132,522**	₱61,726
Payments of rehabilitation cost	**(10,149)**	–
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 28)	**8,554**	13,539
Effect of change in estimate (see Note 9)	**–**	57,257
Balances at December 31	**₱130,927**	₱132,522

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.

The Group revised its estimate of the mine rehabilitation and decommissioning cost resulting to an adjustment on capitalized cost amounting to nil in 2013 and ₱57.3 million in 2012 (see Note 9).

17. **Equity**

Capital Stock

The capital structure of the Parent Company as at December 31, 2013 and 2012 is as follows:

	2013	2012
Common stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares		
Issued - 2,519,159,345 shares		
in 2013 and 2,013,476,263 in 2012	**₱1,259,580**	₱1,006,738
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
	₱1,266,780	₱1,013,938

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

Movements in common stock follow:

	2013	
	Number of Shares	**Total**
Balances at January 1	**2,013,476,263**	**₱1,006,738**
Declaration of stock dividends	**503,831,864**	**251,916**
Exercise of stock options (see Note 18)	**1,851,218**	**926**
Balances at December 31	**2,519,159,345**	**₱1,259,580**

	2012	
	Number of Shares	Total
Balances at January 1	1,339,831,828	₱669,916
Declaration of stock dividends	671,158,752	335,579
Exercise of stock options (see Note 18)	2,485,683	1,243
Balances at December 31	2,013,476,263	₱1,006,738

On June 16, 2010, the BOD and stockholders of the Parent Company approved the Executive Stock Option Plan (ESOP). On December 20, 2010, the Plan was approved by the SEC. Shares reserved for issue under the ESOP is 12 million shares. Basic terms and conditions of the ESOP are disclosed in Note 18.

On March 28, 2012 and June 8, 2012, the Company's BOD and stockholders, respectively, authorized and approved the increase in authorized capital stock from ₱800.0 million to ₱2,139.7 million.

Issued Capital Stock

The IPO of the Parent Company's shares with an offer price of ₱15.00 per share, which is equivalent to ₱8.00 per share after the stock dividends, resulted to the issuance of 217,183,818 common shares and reissuance of 132,991,182 shares held in treasury.

In October 2010, shares were issued to Sumitomo Metal Mining Philippine Holdings Corporation (SMMPHC), Nickel Asia Holdings, Inc. (NAHI) and the President of the Parent Company pursuant to the Subscription Agreement entered into on September 24, 2010 whereby:

- SMMPHC subscribed to 13,169,982 common shares of the Parent Company for a consideration of ₱206.8 million.
- The Parent Company's President subscribed to 1,855,000 common shares of the Parent Company for a consideration of ₱26.9 million.
- NAHI subscribed to 720,000,000 preferred shares of the Parent Company for a consideration of ₱7.2 million.

As at December 31, 2013 and 2012, the Parent Company has forty-five (45) and forty-one (41) stockholders, respectively.

As at December 31, 2013 and 2012, a total of 803,135,234 or 32% and 657,060,167 or 33%, respectively, of the outstanding common shares of the Parent Company are registered in the name of forty-three (43) and thirty-nine (39) shareholders, respectively, while the balance of 1,716,024,111 common shares or 68% and 1,356,416,096 common shares or 67%, respectively, are lodged with the Philippine Depository, Inc. (now known as Philippine Depository and Trust Corporation).

Dividends

Cash Dividends

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

On March 28, 2012, the Parent Company's stockholders declared cash dividends amounting to ₱1,073.5 million, equivalent to ₱0.80 per share, to stockholders of record as at April 16, 2012, which were paid on May 11, 2012.

On October 25, 2011, the Parent Company's BOD declared special cash dividends amounting to ₱201.0 million, equivalent to ₱0.15 per share, to stockholders of record as at November 11, 2011, which were paid on December 8, 2011.

On March 25, 2011, the Parent Company's BOD declared cash dividends amounting to ₱468.9 million, equivalent to ₱0.35 per share, to stockholders of record as at April 11, 2011. The dividends were paid on May 9, 2011.

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

On June 8, 2012, the Parent Company's stockholders declared fifty percent (50%) stock dividends on the outstanding common shares amounting to ₱335.6 million to stockholders of record as at August 29, 2012 to support the increase in authorized capital stock. The stock dividends correspond to 671.2 million common shares at the issue price equivalent to the par value of ₱0.50 per share. The stock dividends were issued on September 24, 2012.

Appropriated Retained Earnings
On November 5, 2013, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,000.0 million, for the construction, operation and maintenance of a bunker-fired diesel power station (see Note 36g).

18. **Executive Stock Option Plan**

On June 16, 2010, the BOD and stockholders of the Parent Company approved the ESOP . On December 20, 2010, the Plan was approved by the SEC.

The basic terms and conditions of the ESOP are:
- The ESOP covers up to 12.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
- The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with a position of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
- The exercise price is ₱13.50.
- The grant date of the Plan is January 3, 2011 as determined by the Stock Option Committee.
- The term of the Plan shall be six (6) years and the shares will vest to the participant at the rate of twenty five-percent (25%) per year after the first year of the Plan or December 21, 2011.
- The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The stock option agreement was made and executed on January 31, 2011 between the Parent Company and the option grantees.

The fair value of the stock options is ₱6.44, which was estimated as at grant date, January 3, 2011, using the Black Scholes-Merton model, taking into account the terms and conditions upon which the options were granted.

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

Grant Date	January 3, 2011
Spot price per share	₱15.0
Exercise price	13.5
Expected volatility	60.34%
Option life	3.967 years
Dividend yield	2.06%
Risk-free rate	4.50%

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

Except for the effect of stock dividends, there have been no modifications or cancellations in 2013 and 2012.

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

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
January 1	**13,971,473**	11,503,912	**₱9.00**	₱13.50
Exercised (see Note 17)	**(1,851,218)**	(2,485,683)	**9.00**	13.50
Forfeited	**–**	(450,000)	**–**	13.50
Granted	**–**	746,088	**–**	13.50
Stock dividends	**3,030,058**	4,657,156	**7.20**	9.00
December 31	**15,150,313**	13,971,473	**₱7.20**	₱9.00

In 2013 and 2012, the number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) and fifty percent (50%) stock dividends, respectively (see Note 17).

The number of exercisable vested stock options as at December 31, 2013 and 2012 are 9,851,885 and 5,233,977, respectively.

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

In 2013 and 2012, the weighted average stock price at exercise dates was ₱26.62 and ₱28.16, respectively, which is equivalent to ₱21.30 and ₱15.02 per share after the effect of stock dividends, respectively.

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

	2013	2012
Balances at beginning of year	**₱57,464**	₱64,308
Cost of share-based payment recognized as capital upon exercise	**(18,309)**	(9,603)
Stock option expense (see Note 25)	**10,369**	2,759
Movements during the year	**(7,940)**	(6,844)
Balances at end of year	**₱49,524**	₱57,464

The weighted average remaining contractual life of options outstanding is two and a half (2.5) years and three and a half (3.5) years as at December 31, 2013 and 2012, respectively.

In 2013, 2012 and 2011, the cost of share-based payments expense amounting to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively (see Note 25).

19. **Earnings Per Share**

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

	2013	2012	2011
Net income attributable to equity holders of the parent	**₱2,053,674**	₱2,207,210	₱3,537,782
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**2,053,170**	2,206,706	3,537,278
Dividends on dilutive potential ordinary shares	**–**	474	–
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱2,053,170**	₱2,206,232	₱3,537,278
Weighted average number of common shares for basic EPS	**2,518,547,419**	2,515,828,227	2,512,184,677
Effect of dilution from share options	**11,250,000**	6,093,750	5,625,000
Weighted average number of common shares adjusted for the effect of dilution	**2,529,797,419**	2,521,921,977	2,517,809,677
Basic EPS	**₱0.82**	₱0.88	₱1.41
Diluted EPS	**₱0.81**	₱0.88	₱1.40

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of authorization of the consolidated financial statements.

20. Cost of Sales

	2013	2012	2011
Production overhead	**₱1,938,349**	₱1,986,973	₱1,594,701
Outside services	**869,379**	1,194,218	931,168
Depreciation and depletion (see Note 26)	**830,512**	615,090	423,621
Personnel costs (see Note 25)	**669,699**	614,390	626,309
Long-term stockpile inventory (see Note 12)	**235,169**	132,997	143,184
	4,543,108	4,543,668	3,718,983
Net changes in beneficiated nickel ore and limestone ore	**(53,814)**	(76,453)	(369,293)
	₱4,489,294	₱4,467,215	₱3,349,690

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, janitorial, maintenance, security and blasting equipment rental.

21. Cost of Services

	2013	2012	2011
Depreciation and depletion (see Note 26)	**₱133,040**	₱100,726	₱72,769
Equipment operating cost	**76,058**	78,681	65,027
Personnel costs (see Note 25)	**63,836**	36,869	32,847
Overhead	**49,962**	15,575	17,331
Outside services	**12,396**	28,548	26,286
	₱335,292	₱260,399	₱214,260

Equipment operating cost includes interest expense amounting to ₱33.5 million, ₱38.1 million and ₱27.6 million in 2013, 2012 and 2011, respectively (see Note 15).

22. Shipping and Loading Costs

	2013	2012	2011
Contract fees	**₱801,402**	₱857,455	₱769,647
Supplies and fuel, oil and lubricants	**298,752**	271,266	225,119
Depreciation and depletion (see Note 26)	**155,810**	123,670	102,526
Personnel costs (see Note 25)	**72,219**	61,865	84,523
Other services and fees	**70,588**	86,294	104,261
	₱1,398,771	₱1,400,550	₱1,286,076

23. **Excise Taxes and Royalties**

	2013	2012	2011
Royalties (see Notes 36e and 36j)	**₱439,098**	₱485,072	₱491,656
Excise taxes (see Note 36e)	**209,510**	222,865	244,606
	₱648,608	₱707,937	₱736,262

24. **General and Administrative**

	2013	2012	2011
Personnel costs (see Note 25)	**₱223,081**	₱173,819	₱276,641
Depreciation (see Note 26)	**84,705**	84,941	81,711
Taxes and licenses	**80,474**	66,199	31,942
Outside services	**67,750**	62,860	47,437
Transportation and travel	**20,246**	18,257	20,260
Entertainment, amusement and recreation	**13,720**	13,721	15,008
Communications, light and water	**11,882**	13,458	10,902
Repairs and maintenance	**9,528**	8,661	8,364
Others	**113,433**	85,665	85,160
	₱624,819	₱527,581	₱577,425

Other general and administrative expense is composed of dues and subscription expense, rentals, other service fees and other numerous transactions with minimal amounts.

25. **Personnel Costs**

	2013	2012	2011
Salaries, wages and employee benefits	**₱963,293**	₱840,942	₱916,767
Pension cost (see Note 32)	**55,173**	43,242	40,346
Cost of share-based payment plan (see Note 18)	**10,369**	2,759	63,207
	₱1,028,835	₱886,943	₱1,020,320

The amounts of personnel costs are distributed as follows:

	2013	2012	2011
Cost of sales (see Note 20)	**₱669,699**	₱614,390	₱626,309
General and administrative (see Note 24)	**223,081**	173,819	276,641
Shipping and loading costs (see Note 22)	**72,219**	61,865	84,523
Cost of services (see Note 21)	**63,836**	36,869	32,847
	₱1,028,835	₱886,943	₱1,020,320

26. Depreciation and Depletion

	2013	2012	2011
Property and equipment (see Note 9)	**₱1,260,601**	₱974,382	₱724,613
Investment properties (see Note 10)	**2,050**	7,501	9,208
	₱1,262,651	₱981,883	₱733,821

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

	2013	2012	2011
Cost of sales (see Note 20)	**₱830,512**	₱615,090	₱423,621
Shipping and loading costs (see Note 22)	**155,810**	123,670	102,526
Cost of services (see Note 21)	**133,040**	100,726	72,769
General and administrative (see Note 24)	**84,705**	84,941	81,711
Others	**58,584**	57,456	53,194
	₱1,262,651	₱981,883	₱733,821

27. Finance Income

	2013	2012	2011
Interest income (see Notes 4, 7 and 32)	**₱159,445**	₱226,414	₱208,436
Gain on:			
Sale of AFS financial assets (see Note 7)	**7,308**	6,490	–
Sale of investment funds	**–**	2,136	–
	₱166,753	₱235,040	₱208,436

28. Finance Expenses

	2013	2012	2011
Guarantee service fee (see Note 36f)	**₱104,235**	₱83,987	₱26,636
Interest expense (see Notes 15 and 32)	**13,242**	16,199	7,346
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**8,554**	13,539	10,355
Provision for impairment losses on trade and other receivables (see Note 5)	**2,267**	811	3,962
Loss on sale of AFS financial assets	**–**	–	18,316
	₱128,298	₱114,536	₱66,615

29. **Other Income** - Net

	2013	2012	2011
Gain (loss) on:			
Sale of investment properties (see Note 10)	**₱145,095**	₱–	₱–
Sale of property and equipment	**82,005**	1,369	(2,896)
Casualty	**(7,439)**	–	(239,459)
Write off of input VAT	**(6,752)**	(5,068)	–
Long-term stockpile inventory write-up	**–**	–	573,090
Reversals of allowance for (provisions for):			
Impairment of deferred mine and exploration costs (see Note 13)	**(144,155)**	–	(61,853)
Impairment losses on beneficiated nickel ore inventory (see Note 6)	**9,163**	8,226	(19,141)
Impairment losses on trade and other receivables (see Note 5)	**4,769**	–	–
Impairment losses on input VAT (see Note 8)	**(530)**	–	(914)
Impairment of advances to claimowners	**–**	–	(21,400)
Dividend income (see Note 7)	**62,654**	192,720	436,369
Foreign exchange gains (losses) -net	**53,293**	(123,466)	39,695
Despatch (demurrage)	**49,134**	70,567	(63,219)
Special projects	**28,375**	79,791	7,432
Issuance of fuel, oil and lubricants	**8,209**	22,511	12,804
Other services	**4,766**	6,489	7,347
Rentals and accommodations	**4,209**	4,178	4,296
Others - net	**16,987**	42,945	73,049
	₱309,783	₱300,262	₱745,200

Others include pension income recognized by a subsidiary as determined by the Group's actuary and miscellaneous services provided to CBNC on per job order basis, net of related cost incurred.

Breakdown of the foreign exchange gains (losses) - net follow:

	2013	2012	2011
Realized foreign exchange gains (losses)	**₱90,798**	(₱142,786)	₱12,801
Unrealized foreign exchange gains (losses) on:			
Cash and cash equivalents	**77,129**	(54,282)	8,358
Trade and other receivables	**4,370**	(22,249)	3,062
AFS financial assets	**860**	(11,217)	17,074
Trade and other payables	**(504)**	1,181	59
Long-term debt	**(119,636)**	105,793	(1,659)
Other accounts	**276**	94	–
	₱53,293	(₱123,466)	₱39,695

30. **Material Partly-Owned Subsidiaries**

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

	Principal Place of Business	2013	2012
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material non-controlling interest:

	2013	2012
RTN	**₱2,297,884**	₱2,418,262
TMC	**1,677,390**	1,429,277

Net income attributable to material non-controlling interest:

	2013	2012
RTN	**₱380,490**	₱605,383
TMC	**262,465**	380,495

Other comprehensive income (loss) attributable to material non-controlling interest:

	2013	2012
RTN	**(₱21,205)**	₱24,481
TMC	**(15,195)**	7,396

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized statements of comprehensive income for the year ended December 31, 2013:

	RTN	**TMC**
Revenues	**₱3,535,178**	**₱3,370,272**
Cost of sales and services	**(1,932,816)**	**(1,307,120)**
Operating expenses	**(579,759)**	**(974,615)**
Other income - net	**204,041**	**3,364**
Finance income - net	**42,854**	**8,676**
Income before income tax	**1,269,498**	**1,100,577**
Provision for income tax	**(318,274)**	**(350,677)**
Net income	**951,224**	**749,900**
Other comprehensive loss	**(53,013)**	**(43,413)**
Total comprehensive income	**₱898,211**	**₱706,487**
Attributable to non-controlling interests	**₱292,940**	**₱247,270**
Dividends paid to non-controlling interests	**480,000**	**–**

Summarized statements of comprehensive income for the year ended December 31, 2012:

	RTN	TMC
Revenues	₱4,351,141	₱3,218,567
Cost of sales and services	(2,219,040)	(1,113,332)
Operating expenses	(556,128)	(769,547)
Other income - net	242,977	78,768
Finance income - net	57,119	20,692
Income before income tax	1,876,069	1,435,148
Provision for income tax	(423,814)	(369,150)
Net income	1,452,255	1,065,998
Other comprehensive income	61,202	21,132
Total comprehensive income	₱1,513,457	₱1,087,130
Attributable to non-controlling interests	₱566,985	₱380,495
Dividends paid to non-controlling interests	600,000	–

Summarized statements of financial position as at December 31, 2013:

	RTN	**TMC**
Current assets	**₱3,690,031**	**₱2,502,364**
Noncurrent assets	**2,621,293**	**4,263,406**
Current liabilities	**(372,054)**	**(414,052)**
Noncurrent liabilities	**(194,561)**	**(1,559,176)**
Total equity	**₱5,744,709**	**₱4,792,542**
Attributable to equity holders of parent	**₱3,446,825**	**₱3,115,152**
Non-controlling interest	**2,297,884**	**1,677,390**

Summarized statements of financial position as at December 31, 2012:

	RTN	TMC
Current assets	₱3,739,779	₱2,577,490
Noncurrent assets	2,976,186	3,348,574
Current liabilities	(469,818)	(366,924)
Noncurrent liabilities	(200,493)	(1,475,491)
Total equity	₱6,045,654	₱4,083,649
Attributable to equity holders of parent	₱3,627,392	₱2,654,372
Non-controlling interest	2,418,262	1,429,277

Summarized cash flow information for the year ended December 31, 2013:

	RTN	**TMC**
Operating	**₱1,569,339**	**₱888,778**
Investing	**(121,040)**	**(1,322,766)**
Financing	**(1,244,781)**	**(108,874)**
Net increase (decrease) in cash and cash equivalents	**₱203,518**	**(₱542,862)**

Summarized cash flow information for the year ended December 31, 2012:

	RTN	TMC
Operating	₱1,643,112	₱1,152,222
Investing	(1,275,849)	(954,751)
Financing	(1,547,825)	(112,203)
Net increase (decrease) in cash and cash equivalents	(₱1,180,562)	₱85,268

31. **Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Set out on next page are the Group's transactions with related parties in 2013, 2012 and 2011, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2013 and 2012.

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
Stockholders													
Pacific Metals Co., Ltd. (PAMCO)													
Sale of ore and services	**₱1,269,780**	₱2,086,909	₱2,061,853	**₱5,948**	₱61,914	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Dividends paid	**480,000**	600,000	–	**–**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Fully paid
Draft survey fee	**295**	388	–	**54**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**1,080**	–	–	**1,080**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM													
Sale of ore	**42,040**	125,687	407,300	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee fee	**103,351**	82,668	–	**–**	–	**39,549**	32,548	**–**	–	**–**	–	Every twenty first (21) of February and August	Unsecured
Short-term advances	**1,783**	–	–	**–**	–	**–**	–	**532**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
Stockholders													
SMM													
Additional loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱179,001**	₱210,295	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
NAHI													
Short-term advances	**100**	106	–	**–**	–	**–**	–	**–**	7,564	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends payable	**504**	504	504	**–**	–	**2,016**	1,512	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
With Common Stockholders													
CBNC													
Sale of ore and services	**1,744,600**	1,695,491	2,286,240	**200,454**	312,268	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**52,445**	56,721	–	**23,983**	24,597	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Dividend received	**60,480**	191,880	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible within 30 days from declaration date; noninterest-bearing	Fully collected

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
With Common Stockholders													
CBNC													
Other income	**₱8,846**	₱40,489	₱–	**₱26,066**	₱48,832	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**625**	–	–	**–**	–	**–**	–	**63**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Manta Equities, Inc.													
Rentals, dues and utilities	**13,542**	–		**1,288**		**1,451**						Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**7,896**	–	–	**2,292**	–	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**1,147**	28	–	**745**	–	**–**	–	**83**	76	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Associate													
THNC													
Sale of ore	**237,071**	–	–	**75,638**	–	**–**	–	**–**	–	**–**	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**125,003**	124,702	110,045	**31,146**	28,920	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 31a)	**124,523**	–	–	**42,705**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,703**	–	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
THNC													
Associate													
Additional loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱1,359,596**	₱1,328,994	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Short-term advances	**22,180**	21,446	12,492	**–**	–	**–**	–	**8,534**	6,611	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱411,399	₱476,531	**₱43,016**	₱34,060	**₱9,212**	₱14,251	**₱1,538,597**	₱1,539,289		

Terms and Conditions of Transactions with Related Parties

All sales and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2013, 2012 and 2011 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. Except for the guarantee on the CBNC and THNC Loan Obligations (see Note 36f), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO

HMC, CMC and TMC supply saprolite ore to PAMCO under renewable annual agreements. PAMCO is a stockholder of the Parent Company and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2013 and 2012 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of "Trade and other receivables" and is expected to be collected subsequently.

Nickel Ore Sale Agreement with PAMCO and Sojitz Corporation (Sojitz)

RTN supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2015, wherein PAMCO appointed Sojitz as agent. PAMCO owns thirty-six percent (36%) and Sojitz owns four percent (4%) of the outstanding shares in the capital stock of RTN.

Nickel Ore Sale Agreement with SMM

On April 1, 2011, RTN, TMC, HMC, CMC and SMM entered into an agreement to supply nickel ore to the latter. The agreement shall be valid from April 2011 and shall continue to be valid and in effect until December 2015.

Nickel Ore Supply Agreement with CBNC

RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility 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 has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay High Pressure Acid Leach (HPAL) facility. CBNC is the owner of the Coral Bay HPP facility. Receivable from CBNC is included as part of "Trade and other receivables" and is expected to be collected subsequently.

Nickel Ore Supply Agreement with THNC

TMC entered into an agreement with THNC, a Philippine Corporation, covering the sale of its ore products. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME.

Service Agreements with CBNC

RTN entered into various service agreements with CBNC pertaining to tailings dam construction, materials handling and others.

Materials Handling Agreement with THNC
On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for the latter. THNC shall compensate TMC based on the prices stipulated in the agreement which are determined on the basis of the weight of the cargo. Payment is collected within fifteen (15) days from receipt of TMC's billing.

b. Stockholder Agreements

THNC Stockholder's Agreement
On September 15, 2010, NAC, SMM and Mitsui executed a Stockholders Agreement, pursuant to which the parties formed a joint venture company, Taganito HPAL Nickel, to build and operate a plant in Barangay Taganito, Claver, Surigao del Norte for the purpose of producing and selling nickel-cobalt mixed sulfide to be used for the production of electrolytic nickel and electrolytic cobalt.

Pursuant to the Stockholders Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Parent Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations. The Stockholders Agreement shall terminate upon the dissolution of THNC.

In a separate agreement dated December 9, 2011, SMM, which also owns 62.5% of THNC, agreed to assume Parent Company's obligation to make loans to, or guarantee the repayment of, THNC's loans obligations. The Parent Company, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of THNC's outstanding loans obligation.

CBNC Stockholder Agreement
On July 1, 2002, RTN, along with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC's loans obligation in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC.

In a separate agreement dated October 22, 2002, SMM, which owns 54% of CBNC, agreed to assume RTN's obligation to make loans to, or guarantee the repayment of CBNC's loans obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of CBNC's outstanding loans obligation.

As at December 31, 2013, RTN owns 10% of CBNC's outstanding capital stock. In February 2014, RTN declared as property dividends its shares of stock in CBNC to the Parent Company. (see Note 37).

c. Other Agreements

Funding Commitment with SMM
RTN's long-term debt was incurred to complete infrastructure projects to support the development of the Coral Bay HPAL facility. These projects included the causeway, trestles and dolphins in the Rio Tuba foreshore and offshore areas (see Note 15).

Funding Commitment with THNC
TMC as owner/developer of Taganito Special Economic Zone (TSEZ) incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jettybollard and other pier facilities in the Taganito foreshore and offshore areas.

d. Compensation of Key Management Personnel

The Group considers as key management personnel all employees holding managerial positions up to the president. The short-term benefits of key management personnel of the Group in 2013, 2012 and 2011 amounted to about ₱162.6 million, ₱145.8 million and ₱161.2 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱4.1 million in 2013, ₱5.5 million in 2012 and ₱4.1 million in 2011, respectively. Cost of share-based payments of key management personnel in 2013, 2012 and 2011 amounted to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively.

e. Lease Agreement

On March 18, 2013, the Group entered into a lease agreement with MEI for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. Rent expense pertaining to the lease amounted to ₱10.0 million and nil in 2013 and 2012, respectively.

Future minimum rent payable under the lease as at December 31, 2013 and 2012 are as follows:

	2013	2012
Within one (1) year	**₱20,350**	₱–
After one (1) year but not more than five (5) years	**70,378**	–
	₱90,728	₱–

32. **Pension Costs**

The Group has two (2) funded and three (3) unfunded, noncontributory defined benefit retirement plans covering substantially all of its employees.

Under the existing regulatory framework, Republic Act (RA) 7641, The Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the pension liabilities and pension asset recognized in the consolidated statements of financial position:

	2013	2012
Funded pension liabilities		
RTN	**₱40,187**	₱–
TMC	**164,121**	101,753
Unfunded pension liabilities		
NAC	**23,214**	–
CMC	**31,418**	24,985
HMC	**20,135**	9,794
	₱279,075	₱136,532

Funded pension asset		
RTN	**₱–**	₱56,986

The following tables summarize the components of net pension costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans:

Changes in net defined benefit liability and fair value of plan assets in 2013, 2012 and 2011 and are as follows:

	December 31, 2013											
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2013	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Changes in the effect of asset ceiling	Subtotal	Contributions	December 31, 2013
RTN	**₱306,001**	**₱24,602**	**₱20,715**	**₱45,317**	**(₱20,691)**	**₱–**	**₱54,110**	**₱9,492**	**₱–**	**₱63,602**	**₱–**	**₱394,229**
TMC	**171,213**	**21,500**	**10,769**	**32,269**	**(5,206)**	**–**	**43,138**	**(159)**	**–**	**42,979**	**–**	**241,255**
Defined benefit liability	**477,214**	**46,102**	**31,484**	**77,586**	**(25,897)**	**–**	**97,248**	**9,333**	**–**	**106,581**	**–**	**635,484**
RTN	**(370,170)**	**–**	**(24,360)**	**(24,360)**	**20,691**	**19,797**	**–**	**–**	**–**	**19,797**	**–**	**(354,042)**
TMC	**(69,460)**	**–**	**(4,520)**	**(4,520)**	**5,206**	**1,640**	**–**	**–**	**–**	**1,640**	**(10,000)**	**(77,134)**
Fair value of plan assets	**(439,630)**	**–**	**(28,880)**	**(28,880)**	**25,897**	**21,437**	**–**	**–**	**–**	**21,437**	**(10,000)**	**(431,176)**
RTN	**7,183**	**–**	**487**	**487**	**–**	**–**	**–**	**–**	**(7,670)**	**(7,670)**	**–**	**–**
TMC	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Restrictions on asset recognized	**7,183**	**–**	**487**	**487**	**–**	**–**	**–**	**–**	**(7,670)**	**(7,670)**	**–**	**–**
RTN	**(56,986)**	**24,602**	**(3,158)**	**21,444**	**–**	**19,797**	**54,110**	**9,492**	**(7,670)**	**75,729**	**–**	**40,187**
TMC	**101,753**	**21,500**	**6,249**	**27,749**	**–**	**1,640**	**43,138**	**(159)**	**–**	**44,619**	**(10,000)**	**164,121**
Pension liability	**₱44,767**	**₱46,102**	**₱3,091**	**₱49,193**	**₱–**	**₱21,437**	**₱97,248**	**₱9,333**	**(₱7,670)**	**₱120,348**	**(₱10,000)**	**₱204,308**

	December 31, 2012, as restated												
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							
	January 1, 2012 (As restated)	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Changes in the effect of asset ceiling	Subtotal	Contributions	December 31, 2012 (As restated)
RTN	₱349,890	₱24,984	₱24,212	₱49,196	(₱33,034)	₱–	(₱6,177)	(₱71,123)	₱17,249	₱–	(₱60,051)	₱–	₱306,001
TMC	153,774	13,785	9,150	22,935	(3,772)	–	–	(7,614)	5,890	–	(1,724)	–	171,213
Defined benefit liability	503,664	38,769	33,362	72,131	(36,806)	–	(6,177)	(78,737)	23,139	–	(61,775)	–	477,214
RTN	(320,181)	–	(21,933)	(21,933)	33,034	(34,561)	–	–	–	–	(34,561)	(26,529)	(370,170)
TMC	(57,879)	–	(3,629)	(3,629)	3,772	(1,724)	–	–	–	–	(1,724)	(10,000)	(69,460)
Fair value of plan assets	(378,060)	–	(25,562)	(25,562)	36,806	(36,285)	–	–	–	–	(36,285)	(36,529)	(439,630)
RTN	–	–	–	–	–	–	–	–	–	7,183	7,183	–	7,183
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	–	–	–	–	–	–	–	–	–	7,183	7,183	–	7,183
RTN	29,709	24,984	2,279	27,263	–	(34,561)	(6,177)	(71,123)	17,249	7,183	(87,429)	(26,529)	(56,986)
TMC	95,895	13,785	5,521	19,306	–	(1,724)	–	(7,614)	5,890	–	(3,448)	(10,000)	101,753
Pension asset	₱29,709	₱24,984	₱2,279	₱27,263	₱–	(₱34,561)	(₱6,177)	(₱71,123)	₱17,249	₱7,183	(₱87,429)	(₱26,529)	(₱56,986)
Pension liability	₱95,895	₱13,785	₱5,521	₱19,306	₱–	(₱1,724)	₱–	(₱7,614)	₱5,890	₱–	(₱3,448)	(₱10,000)	₱101,753

December 31, 2011, as restated

		Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income						
	January 1, 2011 (As restated)	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	Contributions	December 31, 2011 (As restated)
RTN	₱332,105	₱23,578	₱18,241	₱26,535	₱68,354	(₱40,204)	₱–	₱–	(₱4,065)	(₱6,300)	(₱10,365)	₱–	₱349,890
TMC	126,444	11,701	–	9,572	21,273	(12,338)	–	–	17,902	493	18,395	–	153,774
Defined benefit liability	458,549	35,279	–	36,107	89,627	(52,542)	–	–	13,837	(5,807)	8,030	–	503,664
RTN	(302,904)	–	–	(23,793)	(23,793)	40,204	(3,721)	–	–	–	(3,721)	(29,967)	(320,181)
TMC	(66,172)	–	–	(4,543)	(4,543)	12,338	498	–	–	–	498	–	(57,879)
Fair value of plan assets	(369,076)	–	–	(28,336)	(28,336)	52,542	(3,223)	–	–	–	(3,223)	(29,967)	(378,060)
RTN	–	–	–	–	–	–	–	–	–	–		–	
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	–	–	–	–	–	–	–	–	–	–	–	–	–
RTN	29,201	23,578	–	2,742	44,561	–	(3,721)	–	(4,065)	(6,300)	(14,086)	(29,967)	29,709
TMC	60,272	11,701	–	5,029	16,730	–	498	–	17,902	493	18,893	–	95,895
Pension liability	₱89,473	₱35,279	₱–	₱7,771	₱61,291	₱–	(₱3,223)	₱–	₱13,837	(₱5,807)	₱4,807	(₱29,967)	₱125,604

Changes in unfunded pension liability as at December 31, 2013, 2012 and 2011 are as follows:

December 31, 2013

		Net benefit cost in consolidated statements of income				**Remeasurements in other comprehensive income**				
	January 1, 2013	**Current service cost**	**Interest cost**	**Subtotal**	**Benefits paid**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from experience adjustments**	**Subtotal**	**December 31, 2013**
NAC	**₱–**	**₱4,382**	**₱–**	**₱4,382**	**₱–**	**₱–**	**₱–**	**₱18,832**	**₱18,832**	**₱23,214**
CMC	**24,985**	**2,943**	**1,579**	**4,522**	**(648)**	**(4,428)**	**5,794**	**1,193**	**2,559**	**31,418**
HMC	**9,794**	**1,746**	**648**	**2,394**	**–**	**–**	**2,783**	**5,164**	**7,947**	**20,135**
Pension liability	**₱34,779**	**₱9,071**	**₱2,227**	**₱11,298**	**(₱648)**	**(₱4,428)**	**₱8,577**	**₱25,189**	**₱29,338**	**₱74,767**

December 31, 2012, as restated

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2012 (As restated)	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2012 (As restated)
CMC	₱20,614	₱2,494	₱1,237	₱3,731	(₱715)	₱–	(₱553)	₱1,908	₱1,355	₱24,985
HMC	10,847	1,979	671	2,650	(808)	(415)	(445)	(2,035)	(2,895)	9,794
Pension liability	₱31,461	₱4,473	₱1,908	₱6,381	(₱1,523)	(₱415)	(₱998)	(₱127)	(₱1,540)	₱34,779

December 31, 2011, as restated

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2011 (As restated)	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2011 (As restated)
CMC	₱19,726	₱2,960	₱1,545	₱4,505	₱–	₱–	₱2,482	(₱6,099)	(₱3,617)	₱20,614
HMC	10,482	2,107	843	2,950	–	–	(1,639)	(946)	(2,585)	10,847
Pension liability	₱30,208	₱5,067	₱2,388	₱7,455	₱–	₱–	₱843	(₱7,045)	(₱6,202)	₱31,461

The main categories of plan assets as a percentage of the fair value of total plan assets follow:

2013	**RTN**	**TMC**
Fixed income securities	**54.83%**	**80.49%**
Investments in shares of stock	**17.24%**	**5.94%**
Others	**27.93%**	**13.57%**
	100.00%	**100.00%**

2012	RTN	TMC
Fixed income securities	72.30%	57.23%
Investments in shares of stock	23.30%	30.17%
Others	4.40%	12.60%
	100.00%	100.00%

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining the pension asset (liability) for the Group's plans are shown below:

2013	**NAC**	**RTN**	**TMC**	**HMC**	**CMC**
Discount rate	**4.81%**	**6.40%**	**4.77%**	**5.04%**	**4.71%**
Salary increase rate	**5.00%**	**5.00%**	**10.00%**	**5.00%**	**5.00%**

2012	NAC	RTN	TMC	HMC	CMC
Discount rate	–	6.77%	6.29%	6.62%	6.32%
Salary increase rate	–	5.00%	10.00%	5.00%	5.00%

2011	NAC	RTN	TMC	HMC	CMC
Discount rate	–	6.92%	7.57%	8.04%	6.00%
Salary increase rate	–	8.00%	10.00%	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	+100 basis points	(₱68,433)
	-100 basis points	81,796
Salary increase rate	+100 basis points	72,534
	-100 basis points	(62,379)

As at March 24, 2014, the Group has not yet reasonably determined the amount of 2014 contributions to the retirement fund.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013
Within the next twelve (12) months	₱36,272
Between two (2) and five (5) years	188,555
Between five (5) and ten (10) years	292,457
Total expected payments	₱517,284

The average duration of the defined retirement benefits liability as at December 31, 2013 is 16.8 years.

33. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of HMC, TMC and RTN and Minimum Corporate Income Tax (MCIT) of NAC, CMC and LCSLC in 2013, RCIT of HMC, TMC and RTN and MCIT of CMC and CEXCI in 2012, and RCIT of HMC, TMC, RTN, CMC, LCSLC and FEI in 2011, as follows:

	2013	2012	2011
HMC	**₱487,825**	₱428,994	₱170,455
TMC	**345,837**	399,002	408,179
RTN	**321,338**	424,336	852,466
CMC	**7,819**	11,936	185,053
NAC	**6,574**	–	–
LCSLC	**111**	–	3,596
CExCI	**–**	2	–
FEI	**–**	–	30
	₱1,169,504	₱1,264,270	₱1,619,779

SNMRC, CExCI and FEI were in gross and net taxable loss positions in 2013.

The reconciliation between the provisions for (benefit from) income tax computed at the statutory income tax rates and the provision for (benefit from) income tax at the effective tax rates as shown in the consolidated statements of income follow:

	2013	2012	2011
Income tax at statutory rates from non PEZA registered activities	**₱1,785,374**	₱1,899,359	₱2,312,252
Income tax at statutory rates from PEZA registered activities	**(4,554)**	4,729	934
Add (deduct) tax effects of:			
Dividend income exempted from tax	**(534,152)**	(732,575)	(533,019)

(Forward)

	2013	2012	2011
Movements in deductible temporary differences for which deferred income taxes were recognized	**(₱73,938)**	(₱43,111)	₱125,234
Benefit from availment of optional standard deduction	**(56,877)**	(62,861)	(372,062)
Interest income subjected to final tax	**(46,247)**	(63,248)	(56,393)
Expired NOLCO and excess MCIT over RCIT	**37,767**	1,496	–
Change in unrecognized deferred income tax assets	**23,210**	4,876	3,373
Application of unrecognized deferred income tax asset on NOLCO	**(16,915)**	–	–
Non-deductible expenses	**13,165**	169,550	181,524
Derecognized deferred income tax assets	**–**	188,184	33,869
Other	**(2,618)**	(31,701)	(9,697)
Income tax at effective rates	**₱1,124,215**	₱1,334,698	₱1,686,015

The components of the Group's net deferred income tax assets and liabilities follow:

	2013	2012	2011
Deferred income tax assets:			
NOLCO	**₱135,139**	₱151,340	₱214,882
Allowance for:			
Inventory losses	**112,276**	112,507	121,046
Impairment losses on trade and other receivables	**9,216**	16,301	67,862
Impairment of advances to claimowners	**4,947**	4,947	6,420
Impairment losses on property and equipment and deferred mine exploration costs	**1,507**	120	32,426
Pension liability	**83,722**	40,960	47,120
Valuation gains on AFS financial assets	**(36,727)**	(21,090)	(1,327)
Excess of MCIT over RCIT	**26,330**	11,936	–
Provision for mine rehabilitation and decommissioning	**25,123**	21,232	23,222
Unrealized foreign exchange losses (gains) - net	**(23,918)**	12,603	(37,613)
Deferred income	**3,999**	4,209	4,208

(Forward)

	2013	2012	2011
Deferred income tax assets:			
Costs of share-based payment plan	**₱3,028**	₱5,129	₱27,561
Undepleted asset retirement obligation	**(1,827)**	(1,876)	3,579
Accrued SDMP costs	**1,003**	4,036	13,385
Others	**625**	2,543	(20,920)
	₱344,443	₱364,897	₱501,851
Deferred income tax liabilities:			
Long-term stockpile inventory	**₱351,029**	₱421,580	₱461,479
Asset revaluation surplus	**104,409**	107,797	111,366
Share in cumulative translation adjustment (see Note 11)	**30,790**	–	13,139
Pension asset	**–**	17,095	–
Unrealized foreign exchange gains - net	**–**	8,053	–
Allowance for inventory losses	**–**	(2,518)	–
Provision for mine rehabilitation and decommissioning	**–**	(1,143)	–
Others	**–**	(413)	(359)
	₱486,228	₱550,451	₱585,625

As at December 31, 2013 and 2012, the Group has temporary differences on NOLCO amounting to ₱80.6 million and ₱786.7 million, respectively, for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient taxable income will be available against which the benefit of the deferred income tax asset can be utilized.

As at December 31, 2013 and 2012, the Group, except for FEI, has NOLCO and excess MCIT over RCIT that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO	Excess MCIT over RCIT
2011	2014	₱99,994	₱20
2012	2015	402,125	11,938
2013	2016	27,254	14,394
		₱529,373	₱26,352

As at December 31, 2013 and 2012, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO
2009	2014	₱238
2011	2016	208
2012	2017	267
2013	2018	136
		₱849

Movements in NOLCO are as follow:

	2013	2012
Balances at January 1	**₱1,291,186**	₱859,334
Additions	**27,390**	436,819
Expirations	**(697,543)**	(4,967)
Applications	**(90,811)**	–
Balances at December 31	**₱530,222**	₱1,291,186

Movements in excess of MCIT over RCIT are as follow:

	2013	2012
Balances at January 1	**₱11,971**	₱39
Additions	**14,394**	11,938
Expirations	**(13)**	(6)
Balances at December 31	**₱26,352**	₱11,971

34. **Financial Instruments**

The Group's main financial instruments are cash and cash equivalents, AFS financial assets and long-term debt. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as trade and other receivables, and cash held in escrow, MRF, SDMP fund and long-term negotiable instrument under "Other noncurrent assets" and trade and other payables, which arise directly from its operations and investing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Except for those impaired trade and other receivables, the Group assessed the loans and receivables as collectible and in good standing.

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in debt instruments, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign and local equity funds are made in mutual funds with investments in A-rated companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equities is reviewed regularly by the Chief Finance Officer.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure
With respect to credit risk arising from cash and cash equivalents, trade and other receivables, AFS financial assets and cash held in escrow MRF, SDMP fund and long-term negotiable instrument under "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Quality and Aging Analyses of Financial Assets
The credit quality and aging analysis of the Group's financial assets as at December 31, 2013 and 2012 are summarized in the following tables:

2013	**Neither Past Due Nor Impaired (High)**	**Past Due But Not Impaired (30-180 days)**	**Past Due and Individually Impaired**	**Total**
Cash and cash equivalents:	**₱10,226,439**	**₱–**	**₱–**	**₱10,226,439**
Cash with banks	**4,973,946**	**–**	**–**	**4,973,946**
Short-term cash investments	**5,252,493**	**–**	**–**	**5,252,493**
Trade and other receivables:	**776,295**	**–**	**38,943**	**815,238**
Trade	**628,418**	**–**	**26,150**	**654,568**
Receivable from CBNC	**50,049**	**–**	**–**	**50,049**
Amounts owed by related parties	**9,212**	**–**	**–**	**9,212**
Others	**88,616**	**–**	**12,793**	**101,409**
AFS financial assets:	**2,438,938**	**–**	**–**	**2,438,938**
Quoted debt securities	**1,318,364**	**–**	**–**	**1,318,364**
Quoted equity securities	**201,830**	**–**	**–**	**201,830**
Unquoted equity securities	**918,744**	**–**	**–**	**918,744**
Other noncurrent assets:	**237,584**	**–**	**–**	**237,584**
MRF	**125,467**	**–**	**–**	**125,467**
Cash held in escrow	**65,118**	**–**	**–**	**65,118**
Long-term negotiable instruments	**30,000**	**–**	**–**	**30,000**
SDMP fund	**16,999**	**–**	**–**	**16,999**
	₱13,679,256	**₱–**	**₱38,943**	**₱13,718,199**

2012	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents:	₱9,262,795	₱–	₱–	₱9,262,795
Cash with banks	636,961	–	–	636,961
Short-term cash investments	8,625,834	–	–	8,625,834
Trade and other receivables:	509,229	309,514	43,686	862,429
Trade	229,199	306,631	32,436	568,266
Receivable from CBNC	73,429	–	–	73,429
Amounts owed by related parties	14,251	–	–	14,251
Notes receivable	76,278	–	–	76,278
Others	116,072	2,883	11,250	130,205
AFS financial assets:	2,128,038	–	–	2,128,038
Quoted debt securities	1,020,750	–	–	1,020,750
Quoted equity securities	188,544	–	–	188,544
Unquoted equity securities	918,744	–	–	918,744
Other noncurrent assets:	231,079	–	–	231,079
MRF	134,288	–	–	134,288
Cash held in escrow	64,228	–	–	64,228
Long-term negotiable instruments	30,000	–	–	30,000
SDMP fund	2,563	–	–	2,563
	₱12,131,141	₱309,514	₱43,686	₱12,484,341

Credit Quality of Financial Assets
The credit quality of financial assets is managed by the Group using credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash and cash equivalents, cash held in escrow, MRF and SDMP fund are placed in various foreign and local banks. The rest are held by various foreign banks having a Standard and Poor's credit rating of at least A. Material amounts are held by local banks, as approved by the BOD, that have good reputation and low probability of insolvency. Management assesses the quality of these assets as high grade.
- Trade receivables and receivable from CBNC pertain to receivables from customers which have good financial capacity and with which the Group has already established a long standing relationship. Management assesses the quality of these assets as high grade. Trade and other receivables not foreseen to be collected are classified as sub-standard grade.
- Amounts owed by related parties are advances that are due and demandable. The related parties are operating firms capable of repaying the amount due. Management assesses the quality of these assets as high grade.
- Management assesses the quality of other receivables as high grade since amounts pertain to receivables from customers which have good financial capacity and with whom the Group has already established a long outstanding relationship. The other receivables also include amounts owed by officers and employees that are operational advances in nature. These operational advances are collected subsequently.
- AFS financial assets in debt securities and equity securities are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

- Long-term negotiable instrument is an investment placed in a local bank with good financial capacity and with low probability of insolvency. Management assessed the quality of this asset as high grade.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance its exploration and mining activities through internally generated funds and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2013 and 2012 based on contractual undiscounted payments.

2013	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Trade and other payables					
Trade	**₱274,770**	**₱179,385**	**₱21,816**	**₱–**	**₱475,971**
Accrued expenses	**35,371**	**105,761**	**100,090**	**–**	**241,222**
Retention payable	**–**	**–**	**–**	**34,168**	**34,168**
Others	**–**	**19,889**	**14,420**	**–**	**34,309**
Long-term debt					
Principal	**–**	**–**	**117,469**	**1,421,128**	**1,538,597**
Interest	**–**	**–**	**25,141**	**481,592**	**506,733**
	₱310,141	**₱305,035**	**₱278,936**	**₱1,936,888**	**₱2,831,000**

2012	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱298,976	₱88,950	₱14,865	₱459	₱403,250
Accrued expenses	112,537	82,174	59,450	239	254,400
Retention payable	–	–	–	446	446
Others	26,110	17,730	–	–	43,840
Long-term debt					
Principal	–	22,391	94,228	1,422,670	1,539,289
Interest	–	764	28,106	662,088	690,958
	₱437,623	₱212,009	₱196,649	₱2,085,902	₱2,932,183

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk of the Group as at December 31, 2013 and 2012.

2013	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Cash and cash equivalents					
Cash on hand and with banks	**₱4,981,843**	**₱–**	**₱–**	**₱–**	**₱4,981,843**
Short-term cash investments	**5,252,493**	**–**	**–**	**–**	**5,252,493**
Trade and other receivables					
Trade	**499,028**	**74,857**	**22,042**	**32,491**	**628,418**
Receivable from CBNC	**50,049**	**–**	**–**	**–**	**50,049**
Amounts owed by related parties	**9,212**	**–**	**–**	**–**	**9,212**
Others	**74,483**	**2,729**	**154**	**11,250**	**88,616**
AFS financial assets					
Quoted debt securities	**1,318,364**	**–**	**–**	**–**	**1,318,364**
Quoted equity securities	**201,830**	**–**	**–**	**–**	**201,830**
Unquoted equity securities	**918,744**	**–**	**–**	**–**	**918,744**
Other noncurrent assets					
MRF	**125,467**	**–**	**–**	**–**	**125,467**
Cash held in escrow	**65,118**	**–**	**–**	**–**	**65,118**
Long-term negotiable instruments	**–**	**–**	**–**	**30,000**	**30,000**
SDMP fund	**16,999**	**–**	**–**	**–**	**16,999**
	₱13,513,630	**₱77,586**	**₱22,196**	**₱73,741**	**₱13,687,153**

2012	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱637,617	₱–	₱–	₱–	₱637,617
Short-term cash investments	8,625,834	–	–	–	8,625,834
Trade and other receivables					
Trade	229,199	306,631	–	–	535,830
Receivable from CBNC	73,429	–	–	–	73,429
Amounts owed by related parties	14,251	–	–	–	14,251
Notes receivable	76,278	–	–	–	76,278
Others	116,072	2,883	–	–	118,955
AFS financial assets					
Quoted debt securities	1,020,750	–	–	–	1,020,750
Unquoted equity securities	918,744	–	–	–	918,744
Quoted equity securities	188,544	–	–	–	188,544
Other noncurrent assets					
MRF	134,288	–	–	–	134,288
Cash held in escrow	64,228	–	–	–	64,228
Long-term negotiable instruments	–	–	–	30,000	30,000
SDMP fund	2,563	–	–	–	2,563
	₱12,101,797	₱309,514	₱–	₱30,000	₱12,441,311

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest rates, equity prices and other market changes.

Foreign Currency Risk
The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, AFS financial assets, trade and other payables and long-term debt. For its foreign currency-denominated trade receivables, the Group ensures timely follow-up and collection to mitigate the impact of foreign exchange fluctuations.

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

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$59,395**	**₱2,636,863**	$14,956	₱613,924
Trade and other receivables	**11,526**	**538,074**	13,449	552,075
AFS financial assets	**17,063**	**757,510**	10,302	422,897
	$87,984	**₱3,932,447**	$38,707	₱1,588,896
Financial liabilities:				
Trade and other payables	**$1,434**	**₱63,422**	$1,230	₱50,503
Long-term debt	**34,657**	**1,538,598**	37,498	1,539,289
	$36,091	**₱1,602,020**	$38,728	₱1,589,792

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱44.40 and ₱41.05 as at December 31, 2013 and 2012, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2013 and 2012 follows:

	Peso (Strengthens) Weakens	Sensitivity to pretax income
2013	**₱0.70**	**₱36,325**
	(0.55)	**(28,541)**
2012	₱0.72	(₱15)
	(0.75)	16

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to AFS quoted debt and floating-rate long-term debt.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following tables set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

2013	**<1 year**	**1-5 years**	**>5 years**	**Total**
Floating rate (LIBOR plus 2% spread) - long-term debt	**₱117,469**	**₱527,679**	**₱893,449**	**₱1,538,597**

2012	<1 year	1-5 years	>5 years	Total
Floating rate (LIBOR plus 2% spread) - long-term debt	₱116,619	₱524,701	₱897,969	₱1,539,289

Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due. As at December 31, 2013 and 2012, the interest on the Group's long-term debt is repriced on a 180-day basis.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, of the Group's income before income tax and equity as at December 31, 2013 and 2012 are as follows:

	Change in interest rate (in basis points)	**Sensitivity to income before income tax**	**Sensitivity to equity**
December 31, 2013			
Long-term debt	**+100**	**(15,386)**	
	-100	**15,386**	
AFS financial assets	**+100**		**(37,923)**
	-100		**37,923**
December 31, 2012			
Long-term debt	+100	(15,393)	–
	-100	15,393	–
AFS financial assets	+100	–	(31,311)
	-100	–	31,311

The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of AFS quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statement of income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The table shows the sensitivity to a reasonably possible change in equity prices on AFS equity instruments as at December 31, 2013 and 2012, except equity-linked investments.

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
2013	**22.23%**	**18,393**
	-22.23%	**(18,393)**
2012	22.23%	16,182
	-22.23%	(16,182)

The stocks of the AFS financial assets are traded in the following markets: Hang Sheng Index, Luxembourg Stock Market, PSE and Standard & Poor's 500.

Capital Management

The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, deferred income, long-term debt, provision for mine rehabilitation and decommissioning, deferred income tax liabilities - net and pension liability.

The Group considers the following as capital:

	2013	2012
Capital stock	**₱1,266,780**	₱1,013,938
Additional paid-in capital	**8,151,603**	8,117,558
Net valuation gains on AFS financial assets	**99,506**	65,199
Cost of share-based payment plan	**49,524**	57,464
Asset revaluation surplus	**33,629**	34,012
Share in cumulative translation adjustment	**140,201**	(136,909)
Retained earnings:		
Appropriated	**1,000,000**	–
Unappropriated	**9,748,905**	9,725,164
Non-controlling interests	**4,721,640**	4,705,278
	₱25,211,788	₱23,581,704

The table below shows the Group's debt-to-equity ratio as at December 31, 2013 and 2012.

	2013	2012
Total liabilities (a)	**₱3,701,740**	₱3,597,513
Equity (b)	**25,211,788**	23,581,704
Debt-to-equity ratio (a/b)	**0.15:1**	0.15:1

35. Financial Instruments

The management assessed that the following financial instruments approximate their carrying amounts based on the methods and assumptions used to estimate the fair values:

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

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

Cash held in Escrow, MRF, SDMP Fund and Long-term Negotiable Instrument
The carrying amount of cash held in escrow, SDMP fund and MRF approximate their fair values since they are restricted cash with banks, which earns interest based on prevailing market rates repriced monthly. The long-term negotiable instrument also approximates its fair value since it earns interest based on long-term cash investment rate.

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

Long-term Debt
The fair values of long-term debt is 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
As at December 31, 2013 and 2012, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2013			2012		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets						
AFS financial assets						
Quoted debt securities	**₱1,318,364**	**₱–**	**₱–**	₱1,023,750	₱–	₱–
Quoted equity securities	**202,047**	**–**	**–**	185,761	–	–
Unquoted equity securities	**–**	**–**	**918,527**	–	–	918,527
	₱1,520,411	**₱–**	**₱918,527**	₱1,209,511	₱–	₱918,527

As at December 31, 2013 and 2012, 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.

36. **Significant Agreements**

a. Throughput Agreement with THNC
On October 4, 2010, TMC and THNC, a Philippine corporation, executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the Department of Environment and Natural Resources (DENR) that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the Philippine Export Zone Authority (PEZA) to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

Under the agreement, TMC will make available the pier facilities and provide certain services to THNC in consideration for usage fees and service fees to be paid by the latter starting April 2011 until 2031, unless terminated earlier. The usage fee amounted to $1,360,000 for each semi-annual period to be paid on or before October 10 and April 10.

THNC also agrees to pay service fee that will be agreed upon by both parties which shall be billed on a monthly basis.

Prior to the commencement date, THNC may also request TMC to use any part of the constructed Pier Facilities, which is ready for use, upon payment of reasonable compensation which shall be mutually agreed by TMC and THNC.

b. Throughput Agreement with CBNC
Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in US dollars, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

c. Memorandum of Understanding (MOU)
On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology adjacent to TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project. The estimated cost of the Project is $1.42 billion which is further increased to$1.59 billion, over a three-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 30,000 tons of contained nickel over an estimated 30-year project life. The MOU provides that the equity share of the Company and SMM shall be 20%-25% and 75%-80%, respectively.

Following the MOU is the Taganito HPAL Stockholders Agreement (the Agreement) entered into by the Parent Company, SMM and Mitsui, on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. The said Agreement contains the principal terms of an ore supply agreement to be entered into between THNC and TMC for the supply of limonite ore.

It also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US$1,420.0 million project investment that will be undertaken by THNC.

As at December 31, 2013, the Parent Company, SMM and Mitsui made additional investment of US$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the latter pays guarantee service fee.

On October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loan of US$90.0 million to THNC for the construction of the tailings dam. No drawdown was made on this loan as at December 31, 2013.

d. Sales Agreements

Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 31a)

Nickel Ore Supply and Service Agreement with CBNC (see Note 31a)

Nickel Ore Supply Agreement with THNC (see Note 31a)

Nickel Ore Sale Agreement with SMM (see Note 31a)

Nickel Ore Supply Agreements with Chinese customers
HMC, CMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume of expected delivery within a few months. Sale of ore to Chinese customers amounted to ₱7.4 billion, ₱7.4 billion and ₱7.8 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

Materials Handling Agreement with THNC (see Note 31a)

e. Mining Agreements

MPSA

RTN
On June 4, 1998, the Philippine Government (the Government) approved the conversion of RTN's Mining Lease Contracts under the old mining regime into an MPSA with the Government pursuant to the Philippine Mining Act of 1995. The MPSA allows RTN to explore, develop and continue mining operations for nickel ore within the Contract Area covering 990 hectares in the Municipality of Bataraza, southern Palawan Island. Under RTN's Environmental Compliance Certificate, however, 144 hectares of the Contract Area are excluded from mining operations, being located within an area classified as "core zone" where mining is prohibited under current regulations of the Palawan Council for Sustainable Development (PCSD).

On April 28, 2005, RTN and the Government entered into a second MPSA covering 85 hectares in the Municipality of Bataraza, which allows RTN to mine limestone in Sitio Gotok. Limestone being mined by RTN pursuant to this second MPSA is being sold to CBNC and used at the Coral Bay HPAL plant.

Under both MPSAs, RTN pays a two percent (2%) excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending. On May 30, 2008, the PCSD issued a resolution interposing no objections to the revision by the Municipality of Bataraza of its Environmentally Critical Areas Network map that, among others, seeks to reclassify the core zone within the Contract Area into a mineral development area. The reclassification was approved by the Municipal Development Council of the Municipality of Bataraza on November 18, 2009, and subsequently approved by the Provincial Board on January 5, 2010. The processing of the Application for MPSA by the MGB is consequently under way.

HMC

Tagana-an Nickel Project

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into an MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 773.77 hectares in the Municipality of Tagana-an, Surigao del Norte. Under the MPSA, HMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty on gross revenues, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

Manicani Nickel Project

On August 13, 1992, HMC and the Government entered into an MPSA, which allows HMC to explore, develop and mine nickel ore within the Contract Area covering 1,165 hectares in Manicani Island, Municipality of Guian, Eastern Samar. Under the MPSA, HMC shall pay the Government a two percent (2%) excise tax, a one percent (1%) royalty and ten percent (10%) of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On August 2, 2004, the Regional Panel of Arbitrators of the MGB recommended the cancellation of the MPSA as a result of allegations by third parties against the operations of HMC. On September 4, 2009, the Mines and Adjudication Board of the DENR issued a decision setting aside the decision of the Panel of Arbitrators. Hence, the MPSA remains in effect. HMC is currently not conducting mining operations in Manicani.

On July 30, 2010, HMC and SNMRC entered into a Deed of Assignment and Transfer of Rights whereas HMC shall transfer all its rights, title and interest in Manicani Operations to SNMRC. As of December 31, 2013, HMC is still the effective holder of MPSA-012-92-VIII. Transfer of the MPSA is still pending approval from MGB though Deed of Assignment was already executed between HMC and SNMRC.

TMC
On July 28, 2008, the Government approved the conversion of TMC's Operating Lease Contract into an MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 4,584.51 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the Contract Area to 4,862.71 hectares.

Under the MPSA, TMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

Operating Agreements

La Salle
On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued.

The Operating Agreement specifies a royalty to La Salle of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of twenty five percent (25%) per year over a period of four (4) years. As at December 31, 2013, the MPSA remains pending.

Kepha
On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of MPSA no. 284-2009-XII-SMR covering 6,980.75 hectares in the Municipality of Claver, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance of $1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government. There were drilling activities related to the Kepha project in 2013

Ludgoron
On August 28, 2007, TMC entered into an Operating Agreement with Ludgoron, the holder of an MPSA with Government issued on July 27, 2007 covering a Contract Area of 3,248 hectares in the Municipality of Carrascal, Surigao del Sur. The Operating Agreement allows TMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, upon the start of mining operations TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Ludgoron, with approval from the Government.

Under the Operating Agreement, TMC shall pay Ludgoron a royalty of five percent (5%). Upon signing of the Agreement, TMC made an advance royalty payment of $1.0 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years. In 2009, an additional advances against royalties amounting to ₱10.0 million was made in order to allow Ludgoron to settle a claims conflict. There were no drilling activities related to the Ludgoron project in 2013.

East Coast

On November 19, 1997, CMC entered into an Operating Agreement with East Coast, the holder of an MPSA with the Government issued on November 19, 1997 covering a Contract Area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The Operating Agreement allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, CMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. Under the Operating Agreement, CMC also pays East Coast a royalty of seven percent (7%), net of withholding taxes.

The Operating Agreement expired on November 19, 2007 and was renewed for a period of ten (10) years. In consideration, East Coast was paid ₱100.0 million upon signing of the extension, and ₱100.0 million as advances against future royalties, repayable over a ten-year period at a rate of ₱10.0 million per year. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of East Coast, with approval from the Government.

A Mutual Rescission of the above Memorandum of Agreement was executed on March 12, 2012, wherein East Coast and CMC mutually agreed to terminate the MOA and to release each other from any and all responsibilities and liabilities thereunder.

On July 29, 2013, East Coast and CMC entered into an agreement to reduce for one-year period the marketing and royalty fees. Royalty payments to East Coast reduced from 7% (net of withholding taxes) to 5% during this period. Advances against future royalties, to which royalty payment shall be credited was also reduced from ₱10.0 million per year to ₱3.6 million and ₱6.4 million in 2013 and 2014, respectively.

The commission expense related to East Coast that is reported under marketing amounted to ₱27.4 million and ₱54.8 million in 2013 and 2012, respectively.

BOA

CMC holds MPSA 241-2007-XIII-SMR - Norweah Metals and Minerals Company Inc. of the BOA exploration which was granted an MPSA on July 12, 2007 for a period of 25 years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

A Memorandum of Agreement was executed on October 12, 2004 between Norweah and CMC for a term of ten (10) years from the approval of the MPSA, whereby Norweah granted CMC exclusive rights to explore, develop, exploit and operate the mineral property subject of the MPSA.

f. Loan Guarantee/Substitution Agreement

RTN
Under a loan guarantee service agreement dated October 22, 2002 between RTN and SMM, the latter agreed to satisfy RTN’s CBNC loan obligations in consideration of the payment by RTN to SMM of an annual fee equal to one percent (1%) of the relevant outstanding amount.

The fee is payable every February 21 and August 20 of each year. In case of default, such loan guarantee service agreement will be terminated and RTN shall provide loans to CBNC or guarantee the repayment of CBNC’s loans payable. Failure to provide such loans or guarantee shall be considered a default under the CBNC Stockholder Agreement.

The loan guarantee service fee amounting to ₱0.9 million, ₱1.3 million and ₱1.7 million in 2013, 2012 and 2011, respectively, is recorded under “Finance expense” in the consolidated statements of income (see Note 28).

NAC
Under a loan guarantee/substitution agreement dated December 9, 2011 between NAC and SMM, the latter agreed to substitute for NAC to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, NAC shall pay to SMM an annual fee equal to one percent (1%) of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

On December 18, 2013 and December 3, 2013, NAC and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on December 3, 2013 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

In case of default, such loan guarantee/substitution agreements will be terminated and NAC shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

The loan guarantee service fee amounted to ₱103.3 million, ₱82.7 million and ₱24.9 million in 2013, 2012 and 2011, respectively, is recorded under “Finance expense” in the consolidated statements of income (see Note 28).

g. Power Supply Agreement (PSA) with Surigao Del Norte Electric Cooperative, Inc. (SURNECO)
On October 31, 2013, the Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Company has agreed to construct, operate, and maintain a ten (10) megawatts bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO.

h. Participation and Shareholder's Agreement
In May 2011, NAC and SMM signed a Participation and Shareholders' Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest $1.5 million in CExCI for twenty five percent (25%) equity. Once such funds have been exhausted, SMM has the option to invest $2.8 million for an additional fifteen percent (15%) equity which would bring its total equity in CExCI to forty percent (40%).

i. Marketing Agreement with Mitsubishi Corporation
RTN, TMC, HMC, and CMC entered into a marketing agreement with Mitsubishi Corporation, wherein they will provide set forth below:
a) Mitsubishi will use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
b) Mitsubishi will report market information defined in the marketing agreement;
c) Mitsubishi will make efforts to introduce customers to RTN, TMC, HMC and CMC and provide support to both of Companies in negotiating the price and terms and conditions of sales contracts of the products by and between the Companies and customers; and
d) Mitsubishi will monitor and assess trends of customers and support RTN, TMC, HMC and CMC to create an effective pricing strategy and marketing plan.

Marketing expense of three and a half percent (3.5%) shall be charged to RTN, TMC, HMC and CMC based on the total amount of revenue on free-on-board price stated in the invoices issued by RTN, TMC, HMC and CMC to each customer.

j. Other Agreements
Registration with PEZA
On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680-hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte to be known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended. The proposed nickel-cobalt processing plant using the HPAL technology will be located within the TMC's mine site in Surigao del Norte.

On January 9, 2013, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay five percent (5%) final tax on gross income. The certification is valid from January 1 to December 31, 2013 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Under PEZA Board Resolution No. 11-08 dated March 1, 2011, its directors approved TMC's application for extension of its existing TSEZ. On July 28, 2011, pursuant to the resolution, the Government issued Proclamation No. 211 designating parcels of land with an aggregate area of 7.5 hectares located at Barangay Taganito, municipality of Claver, Province of Surigao del Norte, for inclusion to the existing TSEZ.

On January 23, 2013, PEZA issued a Letter of Authority No. 13-0426 allowing TMC to allocate one (1) hectare lot within the TSEZ located at Barangay Taganito, Claver, Surigao del Norte as relocation site for the residents along Hayanggabon River, Barangay Hayanggabon, Claver, Surigao del Norte.

Board of Investments (BOI) Certification
In January 2013, TMC, RTN, HMC and CMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales". The certifications are valid from January 1 to December 31, 2013 and renewable annually, unless sooner revoked by the BOI Governing Board.

Lease Agreement with THNC
On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties.

Lease Contract with the DENR
TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 square meters. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.

Joint Undertaking with National Commission on Indigenous Peoples (NCIP)
On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that a one percent (1%) royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a Memorandum of Agreement dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

37. Events after the Reporting Period

Amendment of Articles of Incorporation
On March 24, 2014, the Parent Company's BOD approved the amendment of its Articles of Incorporation to reflect the change in its principal office address to NAC Tower 32nd Street, Bonifacio Global City, Taguig, subject to the approval of the Parent Company's stockholders in June 2014.

Increase in Authorized Capital Stock
On March 6, 2014, TMC's BOD resolved, subject to the ratification of the shareholders, the increase in authorized capital stock from 2 billion to 5 billion common stock with par value of ₱1.00 per share.

Dividend Declarations
On March 24, 2014, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱0.30 per share, to stockholders of record as at April 10, 2014, which will be paid on May 8, 2014.

On March 20, 2014, HMC's BOD declared cash dividends amounting to ₱1,034.2 million, equivalent to ₱2.00 per share, to stockholders of record as at February 28, 2014. The cash dividends will be paid in two tranches at 50% on each pay-out on June 30, 2014 and December 1, 2014.

On March 6, 2014, TMC's BOD resolved, subject to the ratification of the shareholders, the declaration of one hundred percent (100%) stock dividends. The stock dividends shall be used as the subscribed and paid up portion to support the application for the increase in authorized capital stock of TMC. Also, the stock dividend shall be issued upon approval of the TMC's application for increase of Authorized Capital Stock by the SEC.

On February 26, 2014, RTN's BOD approved the declaration of its 58,749,999 shares in CBNC, with market value of ₱1,418.7 million, to stockholders of record as at March 21, 2014, provided that all foreign shareholders as at February 28, 2014 shall receive cash dividends of ₱945.8 million in lieu of the property dividend, which will be paid on March 31, 2014. On March 28, 2014, SEC approved the property dividend declaration of RTN.

ESOP
On March 24, 2014, the Company's BOD approved the adoption of a new stock option plan for officers of the Company, its operating subsidiaries and Resident Mine Managers. Directors will likewise be eligible to participate in the plan. A total of 32 million shares of stock will be reserved for the plan, which will have a term of five (5) years, from 2014 to 2019, and annual vesting rate of twenty-five percent (25%) of the entitlement shares. The first vesting date is one (1) year after the grant of the option.

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing activity pertains to the declaration of stock dividend amounting to ₱251.9 million and ₱335.6 million in 2013 and 2012, respectively.

39. Business Segment Information

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

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

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

Financial information on the operation of the various business segments are as follows:

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

	December 31, 2012, as restated							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/TMC/ LCSLC	Others	Elimination	Total
External customers	₱2,881,204	₱1,130,033	₱3,093,866	₱4,038,188	₱444,202	₱19,414	₱–	₱11,606,907
Inter-segment revenues	–	–	–	–	347,540	39,519	(387,059)	–
Total revenues (see Note 31)	2,881,204	1,130,033	3,093,866	4,038,188	791,742	58,933	(387,059)	11,606,907
Cost of sales	721,597	563,897	996,783	2,184,938	–	–	–	4,467,215
Cost of services	–	–	–	–	260,399	–	–	260,399
Shipping and loading costs	383,477	203,786	395,446	384,843	32,998	–	–	1,400,550
Excise taxes and royalties	201,684	177,980	247,509	80,764	–	–	–	707,937
Marketing	32,974	55,003	–	6,377	–	–	–	94,354
Segment operating earnings	₱1,541,472	₱129,367	₱1,454,128	₱1,381,266	₱498,345	₱58,933	(₱387,059)	₱4,676,452
General and administrative	₱72,567	₱36,702	₱109,956	₱71,551	₱7,686	₱229,119	₱–	₱527,581
Finance income	₱25,456	₱4,852	₱35,363	₱68,351	₱17	₱101,001	₱–	₱235,040
Finance expense	₱5,089	₱2,779	₱12,712	₱11,233	₱55	₱82,668	₱–	₱114,536
Provision for (benefit from) income tax	₱455,332	₱25,053	₱369,150	₱423,813	(₱8,742)	₱70,092	₱–	₱1,334,698
Net income (loss) attributable to equity holders of the parent	₱1,229,157	₱147,592	₱773,990	₱890,414	(₱406,821)	(₱427,122)	₱–	₱2,207,210
Segment assets	₱1,564,307	₱986,111	₱5,866,492	₱8,392,525	₱238,090	₱9,766,795	₱–	₱26,814,320
Deferred income tax assets - net	126,032	76,008	48,663	–	10,333	103,861	–	364,897
Total assets	₱1,690,339	₱1,062,119	₱5,915,155	₱8,392,525	₱248,423	₱9,870,656	₱–	₱27,179,217
Segment liabilities	₱309,247	₱148,735	₱1,840,039	₱642,346	₱39,319	₱67,376	₱–	₱3,047,062
Deferred income tax liabilities - net	–	–	–	515,767	34,684	–	–	550,451
Total liabilities	₱309,247	₱148,735	₱1,840,039	₱1,158,113	₱74,003	₱67,376	₱–	₱3,597,513
Capital expenditures	₱284,377	₱180,499	₱841,322	₱1,372,525	₱30,972	₱9,338	₱–	₱2,719,033
Depreciation, amortization and depletion	₱72,606	₱81,841	₱300,579	₱416,531	₱47,263	₱63,063	₱–	₱981,883

	December 31, 2011, as restated							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/LCSLC	Others	Elimination	Total
External customers	₱1,790,727	₱1,723,666	₱2,751,941	₱5,963,944	₱344,593	₱119,835	₱–	₱12,694,706
Inter-segment revenues	–	–	–	–	69,231	55,925	(125,156)	–
Total revenues (see Note 31)	1,790,727	1,723,666	2,751,941	5,963,944	413,824	175,760	(125,156)	12,694,706
Cost of sales	572,781	451,668	612,878	1,712,363	–	–	–	3,349,690
Cost of services	–	–	–	–	214,260	–	–	214,260
Shipping and loading costs	405,649	251,985	233,406	330,348	64,688	–	–	1,286,076
Excise taxes and royalties	125,351	271,477	220,155	119,279	–	–	–	736,262
Marketing	241	54,586	–	13,349	–	–	–	68,176
Segment operating earnings	₱686,705	₱693,950	₱1,685,502	₱3,788,605	₱134,876	₱175,760	(₱125,156)	₱7,040,242
General and administrative	₱70,315	₱43,232	₱112,673	₱93,450	₱10,499	₱247,256	₱–	₱577,425
Finance income	₱6,152	₱3,389	₱29,705	₱61,359	₱19	₱107,812	₱–	₱208,436
Finance expense	₱2,919	₱3,327	₱17,038	₱9,519	₱–	₱33,812	₱–	₱66,615
Provision for (benefit from) income tax	₱167,250	₱146,845	₱431,437	₱977,893	₱742	(₱38,152)	₱–	₱1,686,015
Net income (loss) attributable to equity holders of the parent	₱396,401	₱346,029	₱607,857	₱2,225,816	₱4,038	(₱42,359)	₱–	₱3,537,782
Segment assets	₱1,575,261	₱1,471,363	₱4,942,039	₱6,982,713	₱135,747	₱10,793,924	₱–	₱25,901,047
Deferred income tax assets - net	155,413	88,719	21,775	4,630	4,445	226,869	–	501,851
Total assets	₱1,730,674	₱1,560,082	₱4,963,814	₱6,987,343	₱140,192	₱11,020,793	₱–	₱26,402,898
Segment liabilities	₱359,657	₱314,648	₱1,876,741	₱886,661	₱112,471	₱34,490	₱–	₱3,584,668
Deferred income tax liabilities - net	–	–	–	–	37,537	548,088	–	585,625
Total liabilities	₱359,657	₱314,648	₱1,876,741	₱886,661	₱150,008	₱582,578	₱–	₱4,170,293
Capital expenditures	₱117,134	₱74,750	₱805,329	₱223,437	₱50,359	₱22,756	₱–	₱1,293,765
Depreciation, amortization and depletion	₱37,470	₱86,505	₱231,138	₱263,550	₱15,319	₱99,839	₱–	₱733,821

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	**2013**	2012	2011
China	**₱7,376,742**	₱7,356,918	₱7,815,248
Japan	**1,462,481**	2,403,673	2,405,951
Local	**2,270,306**	1,846,316	2,473,507
	₱11,109,529	₱11,606,907	₱12,694,706

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

Revenue from two key customers amounted to ₱5,257.2 million, ₱5,128.0 million and ₱5,822.3 million in 2013, 2012 and 2011, respectively, arising from sale of ores.

40. **Reclassifications**

Certain 2012 and 2011 consolidated financial statement accounts have been reclassified to conform to the 2013 consolidated financial statements presentation.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries
NAC Tower
32nd Street, Bonifacio Global City
Taguig

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and Subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 24, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 24, 2014

NICKEL ASIA CORPORATION

SUPPLEMENTARY SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2013

SCHEDULE I
NICKEL ASIA CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2013

Unappropriated retained earnings as at December 31, 2012, as reflected in audited financial statements		₱5,812,499,120
Unrealized foreign exchange gain - net except those attributable to cash and cash equivalents		(10,123,574)
Unappropriated retained Earnings, *as adjusted to available for dividend distribution, beginning*		5,802,375,546
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	1,880,323,559	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	1,880,323,559	
Add: Non-actual losses		
Remeasurement loss on pension liability (after tax)	13,181,862	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Stock option expense for the period	7,118,788	
Subtotal	20,300,650	
Net income actually earned during the period		**1,900,624,209**
Add (Less):		
Dividend declarations during the period	(957,672,236)	
Appropriations of retained earnings	(1,000,000,000)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		(1,957,672,236)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DISTRIBUTION		**₱5,745,327,519**

SCHEDULE II
NICKEL ASIA CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not adopted	Not applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not adopted	Not applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not adopted	Not applicable
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		**Adopted**	**Not adopted**	**Not applicable**
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not adopted	Not applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not adopted	Not applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2014 onwards.

SCHEDULE III

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2013

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
	In Thousands			
Loans and receivables:	N/A			
Cash on hand and with banks		₱4,981,843	₱4,981,843	
Short term cash investments				
Union Bank of the Philippines	N/A	1,542,043	1,542,043	
Security Bank Savings	N/A	1,262,947	1,262,947	₱142,994
Security Bank Corporation	N/A	1,022,282	1,022,282	
Metropolitan Bank and Trust Company	N/A	775,358	775,358	
Banco de Oro	N/A	583,279	583,279	
Rizal Commercial Banking Corporation	N/A	66,584	66,584	
Cash and cash equivalents		10,234,336	10,234,336	142,994
Trade	N/A	628,418	628,418	–
Receivable from CBNC	N/A	50,049	50,049	–
Amounts owed by related parties	N/A	9,212	9,212	–
Others	N/A	88,616	88,616	–
Trade and other receivables		776,295	776,295	

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2013

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
	In Thousands			
Manila Golf and Country Club	1 share	₱30,000	₱30,000	₱–
Wack-wack Golf and Country Club	1 share	15,000	15,000	–
Valle Verde Country Club	1 share	120	120	–
Camp John Hay Country Club	1 share	180	180	–
Coral Bay Nickel Corporation	58,749,999 shares	724,410	724,410	60,480
Security Land Corporation	3,057,197 shares	126,758	126,758	–
Eurasian Consolidated Minerals Pty. Ltd.	12,500,000 shares	64,359	64,359	–
Ayala Land, Inc.	₱90,000	90,861	90,861	2,598
Aboitiz Equity Ventures, Inc.	₱50,000	50,170	50,170	191
Retail Treasury Bond	₱50,000	50,000	50,000	487
Ayala Corporation	₱45,000	45,305	45,305	1,956
Globe Telecom	₱40,000	41,280	41,280	1,557
Philippine Long Distance and Telephone Company	2,337,202	5,481	5,481	15
Security Bank Corporation	43,284 shares	5,004	5,004	28
BNP Paribas		675,934	675,934	–
Credit Suisse AG	250,799 shares	151,526	151,526	4,282
Credit Suisse AG	1,111,900 units	139,579	139,579	9,205
ATR Kim Eng Capital Partners, Inc.	40,020,230 units	111,331	111,331	–
BPI Asset Management	502,453 units	111,640	111,640	1,211
AFS financial assets		2,438,938	2,438,938	82,010
MRF	N/A	125,467	125,467	–
Cash held in escrow	N/A	65,118	65,118	825
Long-term negotiable instrument	N/A	30,000	30,000	1,260
SDMP fund	N/A	16,999	16,999	–
Other noncurrent assets		237,584	237,584	2,085
Total		₱13,687,153	₱13,687,513	₱227,089

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
For the Year Ended December 31, 2013

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Noncurrent	Ending Balance
There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business, and eliminated in consolidation.							

NICKEL ASIA CORPORATION

Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements
For the Year Ended December 31, 2013

Name of Subsidiary	Balance At January 1, 2012	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
Taganito Mining Corporation	₱–	₱8,787,099	(₱5,754,312)	(₱2,209,292)	₱–	₱823,495	₱–	₱823,495
Rio Tuba Nickel Mining Corporation	2,526,161	8,913,435	(7,789,674)	–	–	3,649,922	–	3,649,922
Samar Nickel Mining Resources Corporation	3,402,091	163,336	(2,309,506)	–	–	1,255,921	–	1,255,921
Cagdianao Mining Corporation	530,913	6,550,638	(6,263,411)	–	–	818,140	–	818,140
Cordillera Exploration Co., Inc.	13,175,753	48,180,938	(3,513,882)	–	–	57,842,809	–	57,842,809
La Costa Shipping and Lighterage Corporation	19,123	78,735	(86,688)	–	–	11,170	–	11,170
Hinatuan Mining Corporation	440,259	7,485,015	(9,663,700)	1,738,426	–	–	–	–
	₱20,094,300	₱80,159,196	(₱35,381,173)	(₱470,866)	₱–	₱64,401,457	₱–	₱64,401,457

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets
For the Year Ended December 31, 2013

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes - Additions (Deductions)	Ending Balance
			In Thousands			
Deferred mine exploration costs - net*	₱142,392	₱54,636	₱–	₱–	₱–	₱197,028
	₱142,392	₱54,636	₱–	₱–	₱–	₱197,028

*Disclosed in Note 13 to the Consolidated Financial Statements

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule E. Long-term Debt
December 31, 2013

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
	In Thousands			
Long-term Debt				
Sumitomo Metal Mining Co. Ltd.	₱–	₱39,778	₱139,223	A
Taganito HPAL Nickel Corporation	–	77,691	1,281,905	B
Deferred Income				
Taganito HPAL Nickel Corporation	–	4,563	75,419	C
Total	₱–	₱122,032	₱1,496,547	

Remarks:
A Interest rate is based on prevailing 180-day British Banker Associate London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread; principal is payable in semi-annual installments of $545,450, payable in February and August until February 28, 2018.
B Interest rate is based on prevailing 180-day LIBOR plus two percent (2%) spread; principal is payable in semi-annual installments of $875,000, payable in April and October until April 10, 2031.
C The obligation is covered by an Option Agreement which shall terminate upon finalization of the lease agreement. The lease agreement has yet to be finalized.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
December 31, 2013

Name of Affiliate	Beginning Balance	Ending Balance
	In Thousands	
Long-term Debt		
Sumitomo Metal Mining Co. Ltd.	₱210,295	₱179,001
Taganito HPAL Nickel Corporation	1,328,994	1,359,596
Deferred Income		
Taganito HPAL Nickel Corporation	79,609	75,419
	₱1,618,898	₱1,614,016

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
For the Year Ended December 31, 2013

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee

- Not applicable-

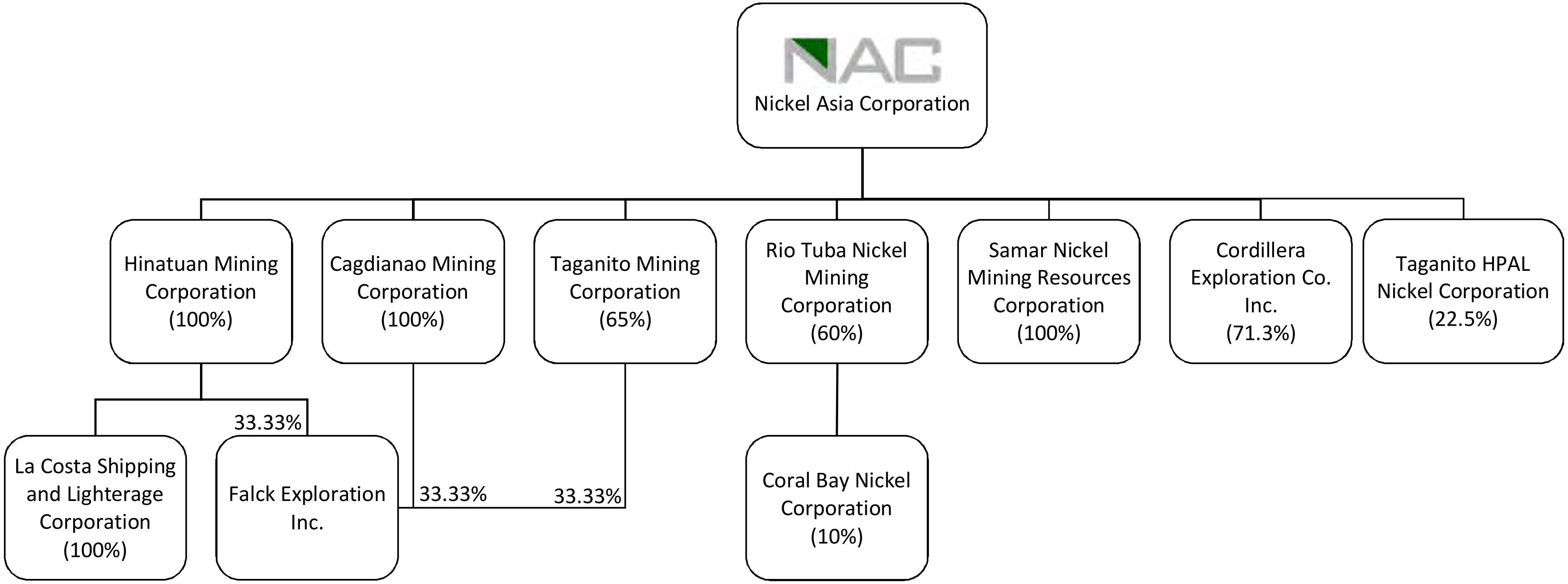
NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule H. Capital Stock
December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	4,265,000,000	2,519,159,345	15,150,313	1,593,176,887	328,613,882	597,368,576
Preferred Stock	720,000,000	720,000,000	–	720,000,000	–	–

SCHEDULE IV

NICKEL ASIA CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013



Note: There is no pyramid ownership structure and/or cross holding structure.

<u>SCHEDULE V</u>
NICKEL ASIA CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

		2013	2012
A.	Current/liquidity ratios		
	Current ratio	**11.15**	10.54
	Quick ratio	**9.59**	8.97
	Cash ratio	**7.82**	7.26
	Cash conversion cycle	**139.98**	146.48
B.	Sovency ratio/Debt-to-equity ratio		
	Solvency ratio	**1.04**	1.14
	Debt-to-equity ratio	**0.15**	0.15
C.	Asset-to-equity ratios	**1.15**	1.15
D.	Interest rate coverage ratio	**281.22**	276.03
E.	Profitability ratios		
	Net profit margin analysis	**23%**	27%
	Return on assets	**9%**	11%
	Return on equity	**10%**	13%
	Return on capital employed	**9%**	12%

CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte and Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte.

As of December 31, 2013, the Company's Total Ore Reserves in accordance with PMRC are as follows:

Ore	**Class**	**Tonnes** (kWMT)	**Tonnes** (kDMT)	% Ni	%Fe	**Contained** Ni (kt)
Ore Reserves						
Saprolite	Proved and Probable	119,594	81,417	1.50	11.22	1,222
Limonite	Proved and Probable	249,714	168,780	1.10	43.23	1,858

The undersigned is issuing this certification in his capacity as PMRC Competent Person accredited by the Philippine Society of Mining Engineers (PSEM) for the ore reserves declared by the Company for its properties. The undersigned is fully aware that, being under the employ of Nickel Asia Corporation, his certification may be subjected to review or scrutiny by other independent CP's whom the concerned government institution(s) of financing bodies might choose to employ.

JOSE S. SARET
Mining Engineer, License No. 887
PMRC Competent Person for Surface Mining (Ni, Au, Cu)
PTR No. 2022787 Issued: 01/10/2014, Taguig City

CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte and Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte.

As of December 31, 2013, the Company's Total Mineral Resources in accordance with PMRC are as follows:

Ore	**Class**	**Tonnes** (kWMT)	**Tonnes** (kDMT)	% Ni	%Fe	**Contained** Ni (kt)
Mineral Resources						
Saprolite	Measured and Indicated	126,459	84,836	1.60	11.06	1,355
Limonite	Measured and Indicated	258,630	174,692	1.10	43.28	1,925
Saprolite	Inferred	31,926	20,578	1.42	11.91	293
Limonite	Inferred	10,575	7,297	1.18	38.64	86

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its properties.

RSLuna

RADEGUNDO S. DE LUNA
Geologist, License No. 218
Competent Person for Nickel, PMRC No. 07-12-05
PTR No. 4057456 Issued: 01/16/2014, Antipolo City