COVER SHEET

C S 2 0 0 8 1 1 5 3 0

SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(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)

17-A

(Form Type)

0 6	1st Friday
Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

54

Total No. of Stockholders

Total Amount of Borrowings

₱1,291.3 million	**₱140.2 million**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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, 2014
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, 2014**
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.
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**2,530,590,350 Shares**
Long-term Debt	**₱1,431.5 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, 2014, 603,875,536 shares with a market price of ₱31.73 or an aggregate amount of ₱19,160,970,757 were held by non-affiliates.

NICKEL ASIA CORP.

April 10, 2015

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 a copy of our Company's SEC Form 17-A Annual Report for the year ended December 31, 2014.

We trust everything is in order.

Very truly yours,

EMMANUEL L. SAMSON
SVP - Chief Financial Officer

28th Floor NAC Tower, 32nd St., Bonifacio Global City, Taguig City, Philippines 1634
Tel. No. +632 798-7622 | +632 892-6669 | Fax No. +632 892-5344

NICKEL ASIA CORPORATION
17-A ANNUAL REPORT 2014

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

A. OVERVIEW

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

We export both saprolite and limonite ore to customers in Japan and China. Our customers use our ore for the production of ferronickel and nickel pig iron (NPI), both used to produce stainless steel, and for the production of pig iron used for carbon steel. We are also the exclusive supplier of limonite ore from our Rio Tuba mine to the country's first hydrometallurgical nickel processing plant owned by Coral Bay Nickel Corporation (CBNC), where we have a 10% equity interest. CBNC became operational in 2005 and currently operates at a capacity of 24,000 tonnes of contained nickel and 1,500 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. It has proven to be the world's most efficient facility using the high-pressure acid leach (HPAL) process.

In 2010, we made an investment of ₱4.4 billion for a 22.5% equity interest in the country's second hydrometallurgical nickel processing plant under Taganito HPAL Nickel Corporation (THNC). The plant started its commercial operation in October 2013, with a capacity of 51,000 tonnes of mixed nickel-cobalt sulfide. Our Taganito mine supplies all of the limonite ore for the plant. At a total project cost of US$1.7 billion, the plant represents the single largest investment in the Philippine minerals sector.

Apart from our four operating mines, we have five properties in various stages of exploration for nickel. In November 2010, we concluded the purchase of Cordillera Exploration Co., Inc. (CExCI) from Anglo American Exploration (Philippines), Inc. (Anglo American), with four properties in the Central Cordillera of northern Luzon that are prospective for gold and copper. The purchase marks our first step in our vision to become a diversified mineral resource company. In November 2011, Sumitomo Metal Mining Co., Ltd. (SMM) acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

B. 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.

C. PRODUCT MIX

We produce two types of nickel ore, namely saprolite and limonite. We define saprolite as nickel ore with iron content of less than 20% and limonite as nickel ore with iron content of 20% or higher.

Type of Ore:	Saprolite		Limonite		
	Hi Grade ≥1.8% Ni	Mid Grade ≥1.4% Ni	Mid Grade ≥1.2% Ni	High Fe 0.6-0.9% Ni; 48-50% Fe	Low Grade 1.0-1.2% Ni
Supplied By:	Rio Tuba Taganito Cagdianao Hinatuan	Rio Tuba Taganito Cagdianao Hinatuan	Cagdianao	Rio Tuba Taganito Hinatuan	Rio Tuba Taganito
Sold To:	Japan FeNi Smelter	Japan FeNi Smelter / China NPI Smelter (EF & RKEF)	China NPI Smelter (Blast Furnace)	China NPI Smelter (Blast Furnace) / China Pig Iron Smelter (Blast Furnace)	Philippines CBNC Taganito HPAL
Final Products:	Ferronickel	Ferronickel / Hi-Grade NPI: 10-12% Ni	Medium Grade NPI: 6-8% Ni	Low Grade NPI (1-3% Ni) / Pig Iron	Ni-Co Sulfide 55% Ni
For Use In:	300 Series Stainless Steel	300 Series Stainless Steel	300 Series Stainless Steel	200 Series Stainless Steel / Carbon Steel	Ni Smelter
Pricing Method:	LME Ni Price x Payable Ni [1]	Negotiated US$/WMT	Negotiated US$/WMT	Negotiated US$/WMT [2]	LME Ni Price x Payable Ni
2014 Volume (kWMT)	1,065	4,676	461	4,266	7,406
2014 % Volume	6%	26%	3%	24%	41%
2014 % of Revenue	18%	45%	3%	22%	12%

[1] *Benchmarked against China prices (US$/WMT) effective Q2 2014*

[2] *Pricing was correlated with the iron ore price until Q2 2014 when pricing started to be linked to nickel*

We ship out two types of saprolite: high-grade and mid-grade. High-grade saprolite has a nickel content of about 1.8% while mid-grade saprolite ore has a nickel content of between 1.4% to 1.6%.

All our high-grade saprolite ore were sold to Japanese clients, namely SMM and Pacific Metals Co. Ltd. (PAMCO), who use the material as feed for ferronickel smelters. Our mid-grade saprolite ore were sold to Japanese and Chinese clients. Our Chinese clients use the material as feed for electronic furnaces for the production of high-grade NPI.

We sell three types of limonite: mid-grade, high-iron, and low-grade. Mid-grade limonite ore has a nickel content of between 1.2% to 1.5% and an iron content of 25% to 40%. High-iron limonite ore has a nickel content of less than 1% and an iron content of 48% to 50%. Low-grade limonite ore has a nickel content of 1.0% to 1.2% and an iron content of at least 30%.

Our mid-grade limonite ore were sold to Chinese customers who use the material as feed for blast furnaces for the production of medium-grade NPI. We also sold this material to an Australian customer, Queensland Nickel Oty. Ltd., which uses the material as feed for its nickel and cobalt refinery. Our high-iron limonite ore were sold to Chinese customers who use the material as feed for blast furnaces for the production of low-grade NPI. Finally, low-grade limonite ore from Taganito and Rio Tuba were utilized as feed for the Taganito and Coral Bay HPAL plants, respectively.

D. SUBSIDIARIES

<u>Rio Tuba Nickel Mining Corporation (RTN)</u>

RTN was incorporated on July 15, 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.

On March 1, 1974, RTN was registered with the Board of Investments (BOI) as export producer of beneficiated nickel ore on a non-pioneer status and annually renews its certification. On December 13, 2002, RTN was registered with the Philippine Economic Zone Authority (PEZA) as the developer/operator of Rio Tuba Processing Zone, located in Barangay Rio Tuba, Municipality of Bataraza, Palawan.

Hinatuan Mining Corporation (HMC)
HMC was incorporated in October 9, 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.

Taganito Mining Corporation (TMC)
TMC was incorporated on March 4, 1987, and is primarily engaged in the mining and exporting of nickel saprolite and limonite ore, and exploration activities. The first commercial shipment from the Taganito mine was made in 1989. TMC also provides services to THNC which involves the handling, hauling and transportation of materials required in the processing operations of THNC.

Cagdianao Mining Corporation (CMC)
CMC was incorporated on July 25, 1997 and acquired the right to operate the Cagdianao mine in 1998.

La Costa Shipping and Lighterage Corporation (LCSLC)
LCSLC was incorporated on October 23, 1992, and is primarily engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. LCSLC was acquired by HMC in April 2010.

Samar Nickel Mining Resources Corporation (SNMRC)
SNMRC was incorporated on March 11, 2010, and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations.

Cordillera Exploration Co., Inc.
CExCI was incorporated on October 19, 1994 primarily to engage 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.

Falck Exp Inc. (FEI)
FEI was incorporated on November 22, 2005, 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.

E. RECENT DEVELOPMENTS

1) *Declaration of CBNC Shares as Property Dividend to Parent Company*
On February 26, 2014, RTN's Board of Directors (BOD) approved the declaration of property dividends comprised of 58,749,999 shares in CBNC in favor of the Parent Company. In March 2014, the Parent Company acquired its 10% equity interest in CBNC amounting to ₱724.4 million which was classified as an investment in associate in the consolidated financial statements.

2) *Loan to Emerging Power Inc. (EPI) with Conversion Option*
On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million, which is to be drawn in two (2) tranches. The first and second tranche of the loan is ₱105.0 million and ₱446.0 million, respectively, with an interest rate of 2% per annum. The Parent Company may convert the entire second tranche into the shares of stock of EPI constituting fifty-five (55%) of the total issued and outstanding shares of the latter at any time before the lapse of three hundred sixty five (365) days after the drawdown of the entire second tranche loan. To secure the loan, EPI pledged its shares of stock in Occidental Mindoro Consolidated Power Corporation (OMCP) constituting 100% of OMCP's issued and outstanding shares.

The proceeds of the first tranche loan shall be used by EPI to fund activities preparatory to drilling and for the drilling of the initial two (2) wells under the Montelago Geothermal Project, while the second tranche loan shall be used to fund the drilling costs and related activities (to include slim or other test holes) on the said initial two (2) wells.

On March 27, 2015, the BOD of the Parent Company has approved the conversion of the loan and an additional investment of about ₱474.0 million, which will equate to 66% equity interest in EPI, subject to the receipt of a satisfactory Volumetric Assessment Report, expected to be completed in April.

F. OUR STRATEGY

Our strategy is designed to maximize the profitability of our existing base of operations while driving growth through our involvement in downstream processing, continuing exploration of our portfolio of properties, acquiring new properties and expanding our customer base. The key elements of our strategy are to:

1) *Develop Taganito HPAL* - Together with our partners, SMM and Mitsui and Co., Ltd. (Mitsui), we constructed the Taganito HPAL facility. The Taganito HPAL facility, with an estimated total cost of US$ 1.42 billion, which further increased to US1.59 billion, includes capital expenditures of US$ 1.3 billion for the plant, working capital, and interest accrued during the construction phase. The facility uses third-generation HPAL technology and benefits from SMM's expertise in HPAL operations, which is evidenced by the continued successful operation and recent expansion of the Coral Bay HPAL facility. We have a 22.5% direct stake in this venture. Our Taganito mine supplies all of the facility's required limonite over the estimated 30-year life of the facility through a combinations of its proved and probable limonite reserves and stockpiles, low-grade limonite ore that would otherwise be stockpiled as waste, and an expected increase in limonite reserves due to further drilling and the delineation of new reserves at our exploration properties. TMC is also expected to supply the required limestone for the plant.

2) *Pursue our brownfield and greenfield exploration programs to upgrade our existing resources, and develop new reserves and resources* – We have an extensive exploration program involving 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 exploration properties. We own approximately 100 man-portable drilling rigs that are suitable for drilling lateritic deposits in an economic manner. Currently, we are deploying approximately 50% of these rigs at our mine sites for exploration, infill and production drilling. We believe that RTN's Mt. Bulanjao property in particular has substantial potential and we intend to conduct step-out and in-fill drilling at this site to fully delineate the lateritic deposits once we have obtained the applicable permit. Partial drilling and mining has already taken place at this property, as well as at the Manicani property where social preparation is currently being done prior to further drilling.

3) *Acquire new properties or enter into operating agreements or joint ventures* - We believe that there is significant exploration potential in the Philippines for lateritic nickel deposits and we intend to seek opportunities to increase our reserves of saprolite and limonite ore. Most prospective areas in the country are already subject to registered mineral claims, so we intend to access new exploration properties by acquiring rights form, or entering into joint ventures with, the applicable claim owners. In doing so, we will carefully evaluate such properties to ensure that the terms we enter into will be commensurate with the potential of the properties we seek to acquire.

4) *Strengthen our customer base in China* - Our mines contain quantities of low-grade saprolite ore and limonite ore that are not suitable for shipment to PAMCO or for use at the Coral Bay and Taganito HPAL facilities. We have been successful in selling a variety of these nickel ore materials principally to the China market for use in the production of NPI using blast or electric arc furnaces. We have rationalized our selling efforts to China and intend to continue strengthening our customer base with the objective of improving prices and reducing the volatility in the volume of such nickel ore materials that we sell to the China market.

5) *Diversify to gold and copper* - The Philippines is well-endowed not only with lateritic nickel but also with gold and copper. World-class deposits have been discovered and substantial quantities of these metals have been mined in the past. We believe that the exploration potential nevertheless remains significant. In order to take advantage of this potential, we entered into an agreement to purchase CEXCI from a subsidiary of Anglo American plc. CEXCI has four groups of mineral claim in northern Luzon that are prospective for gold and coper mineralization. Two of these four claims are located at Mankayan and the remaining two claims are located at Manmanok property and Kutop. We believe that our extensive local knowledge, the experience of a number of our managers and technical staff in these metals and the quality of these properties make this acquisition an important step in our strategy to evolve into a diversified mining group. Substantial exploration work has been done at the Manmanok property. However, due to 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. In view of these conclusions, all drilling and other exploration activities in Manmanok property were stopped as of July 31, 2013. Management, however, still decided to file for a 3rd renewal of the Exploration Permit (EP) to possibly do additional drilling in the untested areas. CExCI still awaits renewal of the said permit.

6) *Dispose nickel ore stockpiles in Manicani* – On July 1, 2014, the DENR has authorized HMC to dispose the nickel ore stockpiles in Manicani Island, Guiuan, Eastern Samar. The stockpiles composed mainly of limonite ore, resulted from operations of HMC in the late 1990's which operations were suspended due to social issues and remained on a care and maintenance status. Guiuan was the site of the first landfall of super typhoon Yolanda in November 2013, resulting in massive destruction of residential and other areas both in Manicani and in the mainland, and a loss of income to virtually all of its residents. While the stockpiles remained intact, their disposal will reduce any possible environmental effects that may be caused by further calamities.

G. KEY STRENGTH

Our company believes in its key strength, which is*:*

Profitability underpinned by low cost production.
This is 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 adds 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 LCTs to our customers' ships. We own nine LCTs and eleven barges and lease additional barges and 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.

H. PERCENTAGES OF REVENUES FOR 3 YEARS

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

	Japan			China			Philippines (CBNC and THNC)			Australia			Total		
Year	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total	Sapro-lite	Limo-nite	Total
2014	21%	-	21%	41%	24%	65%	-	13%	13%	-	1%	1%	62%	38%	100%
2013	14%	-	14%	17%	55%	72%	-	14%	14%	-	-	-	31%	69%	100%
2012	22%	-	22%	26%	40%	66%	-	12%	12%	-	-	-	48%	52%	100%

I. SOURCES 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.

J. GOVERNMENT REGULATIONS AND APPROVALS

TMC's application for Mineral Production Sharing Agreement (MPSA) denominated as APSA No. 73-XIII for its La Salle Exploration project is pending reconsideration. 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. However, TMC executed a mutual rescission covering the Ludgoron Exploration project, effectively cancelling the operating agreement between the parties, over MPSA No. 247-2007-XIII-SMR.

RTN's applications for MPSA denominated as AMA IVB-144A and AMA IVB-144B for its Bulanjao project are 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). It should be noted, however, that on December 2014, through PCSD Resolution No. 14-517, a Strategic Environmental Plan (SEP) Clearance was granted by the PCSD in favor of RTN.

A Deed of Assignment was executed by HMC for the transfer of MPSA 012-92-VIII to 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. However, on June 1, 2014, a mutual rescission of the said Deed of Assignment was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014.

K. 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.

L. NICKEL ORE TRADE AND OUTLOOK

Nickel Ore Trade

Nickel ore in the country is mainly exported to China and Japan. Nickel consumption in China was estimated at 970 thousand tonnes in 2014, which accounted for 51% of global nickel consumption, while 7% of the global nickel consumption can be attributed to Japan.

Chinese nickel production in 2014 was estimated at 700 thousand tonnes, 470 thousand tonnes of which came from NPI, due to the Indonesian export ban implemented in early 2014, Chinese nickel ore importation went down to 54 million wet metric tonnes (WMT) in 2014 from 90 million WMT in 2013, as per our research.

The Philippines accounted for 82% of nickel ore imports to China and the balance mainly came from Indonesia.

Nickel ore trade turned into a new phase in 2014 due to the Indonesian export ban and the price collapse in the iron ore market. The former brought about higher pricing in the middle/high grade nickel ore, consistent with the law of supply and demand, while the latter resulted in lower pricing and demand in the low grade nickel ore, which is mainly used for Chinese carbon steel mill as iron ore substitute.

Outlook for Nickel

Estimated global nickel supply in 2014 was at 1.971 million tonnes, while consumption was at 1.887 million tonnes, resulting to 84 thousand tonnes of oversupply. The global nickel consumption increased by 5% 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 2014 was estimated at 42 million ton, which is a 7.7% increase on a year-on-year basis. Despite a sluggish global economy in 2014, growth was largely driven by China. Stainless steel production in China was recorded at 19.5 million tonnes in 2013 and 21.5 million tonnes in 2014.

We estimate that the oversupply which was present during the past two years will cease to exist within the current year. Thus, we expect that the London Metal Exchange (LME) price of nickel will increase towards the end of the year.

M. EXPLORATION AND DEVELOPMENT

Nickel Resources

NAC covers a wide area of exploration properties and an exploration program encompassing:

1. Brownfield exploration- consisting of work at our existing operations to extend resources and to upgrade resources to reserves; and
2. 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 site to assess samples as required.

Summary of our exploration properties:

Bulanjao: • Total area of 3,604.5 hectares • Conducted step-out drilling throughout the length of the Central Bulanjao deposit • Extracted 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	Location: **Palawan Island** Ownership: **RTNMC**
Manicani: • MPSA covers 1,165 hectares and expires in 2017	Location: **Island of Manicani** Ownership: **HMC**
Kepha: • Operating agreement covers 6,980.75 hectares and expires in 2032 • Rights to the property are governed by an operating entered into in February 2007 with Kepha Mining Exploration Corp. (Kepha) • Application for renewal of the Exploration Permit for the Kepha Property has been granted • Follow-up exploration work and drilling conducted in early 2013	Location: **Surigao del Norte** Ownership: **TMC**
La Salle: • Operating agreement covers 6,824 hectares and expires in 2034. However, the MPSA area applied for has been reduced to 2,234.958 hectares • Rights to the property are governed by an operating agreement entered into with La Salle Mining Exploration Company (La Salle) in December 2006 • Found a nickel lateritic deposit on the southwestern portion of the property and intend to conduct further exploration work on this deposit	Location: **Surigao del Norte** Ownership: **TMC**
Boa: • Covered by a separate MPSA • 167 drill holes intended to be drilled by 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 • Memorandum of Agreement ("MOA") covers 226.0235 hectares and expires in October 12, 2017	Location: **Province of Dinagat Island** Ownership: **CMC**

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. In December 2014, through PCSD Resolution No. 14-517, a SEP Clearance was granted by the PCSD in favor of RTN.

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. However, on June 1, 2014, a mutual rescission of the said Deed of Assignment was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014.

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. Incidentally, a Letter of Authority to Dispose Nickel Stockpile was issued by MGB Director Leo Jasareno on July 1, 2014.

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. Kepha 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. Exploration works are currently in progress.

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 in December 2006. La Salle'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 CExCI from Anglo American, 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, located within the Municipality of Conner, Apayao Province, is covered by an EP first granted in October 2006, and subsequently renewed twice with a final total area of approximately 4,996 hectares. Following the second renewal in April 2011, a Stage 1 exploration program was planned and implemented. The plan consisted of detailed mapping and sampling, a reinterpretation of previous geophysical and geochemical data, followed by scout diamond drilling over areas surrounding the central argillic zone. A total of nine (9) diamond drill holes with an aggregate length of 2,368 meters were completed in April 2013. Gold intercepts were encountered, mainly as disseminations in a quartz-bearing volcaniclastic unit and within quartz veins and shear zones.

The data obtained from the drill holes indicated a low-sulfidation epithermalstyle mineralization, although with low ore grades, resulting in the termination of the drilling program. The possibility of higher-grade mineralization still exists at the base of the limestone unit as well as the northwest extension of the argillic zone within the tenement. A decision on further work in these areas will be made should the third renewal of the EP be approved, which is currently pending. The remoteness of the area, its lack of infrastructure and other factors will be considered in this determination.

Kutop - The 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, with a total area of 13,268 hectares, is covered by an application for EP. CExCI is now in the process of having the Work and Financial Plan for the conduct of "field-based investigations" approved. This is a requisite for the start of the Free Prior and Informed Consent (FPIC) process prior to the granting of the "Certificate of Precondition" from the National Commission on Indigenous Peoples (NCIP), which is in turn a requisite for the granting of the EP.

Mankayan - The Mankayan Property is located within two regions, the Cordillera Administrative Region and Region I, and principally consists of a FTAA application covering 77,549 hectares. Following publication, and the exclusion of built-up and agricultural areas, the final cleared area covering the FTAA application amounted to 54,936 hectares. In order to systematically obtain approval and explore such a large area, a decision was made to convert the FTAA application into three (3) EP applications. The area initially targeted for conversion is 11,169 hectares covering the Mankayan/Cervantes area. The conversion has been approved and designated by MGB as EP Application-116. Currently, the application has been endorsed to the concerned regional offices of the NCIP, while at the NCIP Region I office, a Work and Financial Plan for the conduct of the FPIC process is now approved and ready for execution.

N. ENVIRONMENT AND REHABILITATION

Environmental Responsibility

We adhere to the principles and practices of sustainable development. We are also committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. Mining is a temporary land use and once mining operations in our sites have ended, we plan to restore these properties to at least as close as possible to their pre-mining condition or to develop alternative productive land uses for the benefit of the surrounding communities.

To manage environmental impacts, NAC's subsidiaries have an Environmental Protection and Enhancement Program (EPEP). This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment.

It is the operational link between the environmental protection and enhancement commitments under CDAO 2010-21, consolidated implementing rules and regulations of RA No. 7942, as well as those stipulated in the Environmental Compliance Certificate (ECC) under P.D. 1586 and the Contractor's plan of mining operation.

Activities undertaken through our Annual Environmental Protection and Enhancement Program (AEPEP) 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
- Preservation of downstream water quality

NAC also complies with the ECC conditions and the performance of commitments through our AEPEP. This program is monitored and evaluated by the Multipartite Monitoring Team - 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 organization, the church sector and the Company.

In 2014, we spent approximately ₱550.8 million on our EPEP.

Rehabilitation

In line with our commitment to maintain a sustainable environment in its areas of operation and abide by the Philippine Mining Act of 1995, NAC regularly conducts onsite environmental assessment to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within standard set by regulatory agencies.

The process begins with re-contouring, backfilling and leveling the land. After this, the area is covered with top soil and other soil amelioration strategies to provide fertile ground for planting. We follow the "Sequential Planting Method", wherein we first plant fast growing species, then they are provided with a vegetative cover within 12 to 18 months to enable planting of other species. Another successful method used is by utilizing large planting materials which resulted to more than 90% survival and high growth rate.

Creating a biodiversity area with varied species of vegetation including native fruit bearings trees will eventually be a source of food for a variety of wildlife species that will aid in rehabilitating mine affected areas by way of succession and regeneration. The rehabilitation effort is managed by our expert foresters with the help from indigenous peoples from the locality, and we have demonstrated that a totally mined out area can be significantly re-vegetated in just 12-18 months.

The end result is a sustainably managed forest far better than the stunted vegetation there before, because of the mineralized nature of the soil.

As a means of restoring the disturbed areas from mining operations, NAC requires each mine site to create a decommissioning/ closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The four operating subsidiaries have already developed their respective plans for review and approval of the MGB.

Mine Rehabilitation is contained in the Mining Act of 1995. It's part of a Sustainable Development. It's part of our Best Practice at our subsidiary, RTN. The work starts by re-contouring, backfilling and leveling the land. Then we provide top soil to deliver a fertile ground for planting. Following the "Sequential Planting Method", we first plant fast growing species called Pioneer Species such as Batino, Acacia mangium, Acacia auriculiformis and others – all grown and nurtured in our nursery. These species provide vegetatiev cover within 3 years to enable the planting of "Climax Species" like Apitong, Ipil, Narra, Almaciga, Agoho, Kamagong and others which we need tree shade to grow. They form the core of the new forest stands. Native fruit-bearing trees are also planted to provide a source of food for wild animals that will eventually populate the forest. To ensure the survival of all these trees we have a forestry team. Composed mostly of indigenous people from the surrounding areas, the team conductsa maintenance program like watering during summer, ringweeding cultivation around seedlings, application of compost and other related activities. The work of the team has achieved a survival rate of 90% for the trees.

As of December 31, 2014, the Group allotted provision for mine rehabilitation and decommissioning of ₱130.2 million.

In 2014 and 2013, the Group has rehabilitated a total of 197.31 hectares and 201.81 hectares, respectively, of mine disturbed / mined out areas within their MPSA areas with corresponding number of trees planted of about 406,610 and 358,628, respectively. Planting outside the MPSA areas were also conducted in compliance with DENR's thrust of massive reforestation project nationwide known as National Greening Program (NGP) and contributing about 149.04 hectares and 822.5 hectares in 2014 and 2013, respectively, of areas planted of various endemic tree species and seedling donations to local government units and other NGP participating institution numbering to about 74,580 seedlings and 198,375 seedlings, respectively.

O. SOCIAL RESPONSIBILITY

Social development programs are created and implemented in all the mines. The focus areas of these programs are designed to address needs of communities around the mine sites. These programs are carried out through the Social Development Management Plans (SDMPs) and Corporate Social Responsibility (CSR) activities of the Group. The main difference between the two programs is that the SDMP is required by the government, while CSR is voluntary on the part of the Group.

Each of our operating mines manages their social expenditures through its respective SDMPs. These are five-year programs that contain a list of priority projects identified and approved for implementation, in consultation with the host communities. Each mine site has a community relations team that is in charge of identifying and implementing SDMPs, and maintaining strong relationships with communities. Annually, the Group sets aside a budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the programs are monitored, audited and evaluated by the MGB.

<u>CSR Guidelines</u>
NAC's CSR Program is anchored on 2 central elements:

1. Community Partnership and Relationship Building
   a) Establishing and maintaining positive relationships with communities by having them as partners for community development and nation building
   b) Partnership building with communities (both social and environmental) – community as essential partners and not as mere beneficiaries
   c) Community serving as the primary protector of the company through strong partnership and relationship

2. Leadership
   a) Top management strongly supports the company's CSR initiatives
   b) Social Investment –going beyond compliance and considering CSR not as an additional cost but as an investment

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 ₱182.4 million maintained in such funds as of December 31, 2014. 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.

P. EMPLOYEES

As at December 31, 2014, 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.

The table below shows the distribution of our workforce (full time regular employees only):

Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	SNMRC	Total
Senior Management	13	1	1	2	1	-	-	**18**
Managers	8	1	1	2	2	2	-	**16**
Supervisors	12	3	4	5	6	4	-	**34**
Rank & File	14	6	8	7	7	4	-	**46**
Total	**47**	**11**	**14**	**16**	**16**	**10**	**-**	**114**

Minesite

	CMC	HMC	TMC	RTN	CEXCI	SNMRC	Total
Senior Management	1	1	1	1	-	-	**4**
Managers	3	8	26	26	-	1	**64**
Supervisors	36	45	116	104	-	3	**304**
Rank & File	132	93	226	521	3	23	**998**
Total	**172**	**147**	**369**	**652**	**3**	**27**	**1,370**

Each mine site also provides work opportunities for the communities. The table below shows a breakdown of the workforce (full time, contractual, probationary and casual) hired from the local communities in each area of operation:

Minesite	Manpower from local community	Indigenous People
Regular	1,042	20
Probationary	60	-
Seasonal	1,323	2
Total	**2,425**	**22**

NAC complies with the government standards on the wages and labor practices in the Philippine mining industry. Labor conditions, including wages and benefits, are governed by Collective Bargaining Agreements ("CBA") negotiated at the mine level. Rank and file employees in each mine site are represented by their respective labor unions. Generally, CBAs have terms of 5 years (with a provision for wage renegotiation after 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

The Company provides its regular employees with a retirement benefit as part of its employment benefits. 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. The assumptions include among others, discount rates and future salary increase rates.

Defined benefit costs comprise the following:

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

These amounts are calculated periodically by independent qualified actuaries.

Q. RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our operations are prone to terrorist attacks and other insurgent atrocities due to the location of mine sites. NAC ensures the safety of its communities and employees by working with the government and tapping all available resources that may help prevent, or at the very least, reduce terror-related incidents.

Each mining operation also employs a safety team under an accredited safety officer to promulgate safety measures and procedures and to ensure that these are followed. Training programs are also being conducted regularly

On October 3, 2011, around 200 armed men occupied the TMC mine site and destroyed, among others, equipment, building structures, materials and supplies by setting them on fire. Accounting, personnel, laboratory and administrative records were destroyed. Approximately PhP 239.5 million worth of damages were sustained. Fortunately, no life or limb was lost. In response to the incident, security was increased, not just in TMC, but all our mine sites. This was done in close coordination with the Armed Forces of the Philippines tapping the services of the Special Citizen Armed Forces Geographical Unit Active Auxiliary Companies.

NAC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and laws drawn from a number of different jurisdictions. Our facilities operate under various operating and environmental permits, licenses and approvals to satisfy these conditions. Failure to meet these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

Aside from the above, 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.

Changes in Chinese demand may negatively impact world nickel demand and prices— Approximately, 63% of our revenue in 2014 was derived from sales of nickel ore into China. The Chinese market has become a significant source of global demand for commodities.

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, 13% of our revenue in 2014 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.

A. 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 SEP 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 and a half percent (1.5%) 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 Sitio Gotok 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. However, on June 1, 2014, a mutual rescission of the said assignment was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014

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. Incidentally, a Letter of Authority to Dispose Nickel Stockpile was issued by MGB Director Leo Jasareno on July 1, 2014.

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, Kepha 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 Kepha 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 Kepha.

C. La Salle Exploration

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

On August 12, 2010, La Salle submitted to the MGB an amended MPSA plan, reducing the area from 6,824 hectares to 2,234.96 hectares.

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 Mineral Resources Co., Inc. (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. On 19 November 2007, the MOA was renewed for a period of fifteen (15) years, covering the remaining term of 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. In 2011, an application for the renewal of the exploration period was filed by CMC with the MGB. At present, no exploration activities are being conducted, pending the approval of the application for renewal of the exploration period.

B. MINERAL RESOURCES AND RESERVES

As of December 31, 2014, the Company's Total Mineral Resources and Ore Reserves in accordance with Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
*Ore Reserves**						
Saprolite	Proved and Probable	115,400	77,974	1.50	11.43	1,170
Limonite	Proved and Probable	230,457	155,420	1.11	42.42	1,728
*Mineral Resources***						
Saprolite	Measured & Indicated	125,704	83,706	1.58	11.30	1,322
Limonite	Measured & Indicated	240,392	161,746	1.11	42.96	1,799
Saprolite	Inferred	29,552	19,007	1.44	11.96	275
Limonite	Inferred	10,623	7,266	1.19	38.49	86

** This ore reserves estimate was prepared by Engr. Jose S. Saret. (BSEM), Former 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 2014 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 2014 Annual Report concerning Mineral Resources Estimation.*

C. PROCESSING FACILITIES

<u>CBNC</u>

Facility	Coral Bay HPAL nickel processing plant
Location	In a Special Economic Zone adjacent to Rio Tuba mine
Ownership	Nickel Asia Corporation (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

The Company acquired its 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant, by way of property dividend distributed by RTN in March 2014. 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 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 sulfide 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 51,000 tonnes of mixed nickel-cobalt sulfide 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 sulfide 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. 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.

On November 20, 2012, 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 August 4, 2014 and October 4, 2013, the Company, SMM and Mitsui agreed to extend another loan of US$117.7 million, for the working capital requirement of THNC, and US$90.0 million for the construction of the tailings dam, respectively.

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.

D. 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 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 2014 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

A. MARKET INFORMATION

The Company's common equity is traded in the PSE at a price of ₱15.00 per share (or ₱5.33 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	₱5.98	₱5.42
2011		
1st Quarter	₱8.13	₱6.15
2nd Quarter	₱8.37	₱6.69
3rd Quarter	₱7.65	₱5.87
4th Quarter	₱7.45	₱5.97
2012		
1st Quarter	₱12.25	₱7.47
2nd Quarter	₱12.62	₱9.69
3rd Quarter	₱10.83	₱8.85
4th Quarter	₱9.33	₱8.41
2013		
1st Quarter	₱13.60	₱8.71
2nd Quarter	₱15.04	₱10.15
3rd Quarter	₱11.65	₱10.00
4th Quarter	₱10.97	₱9.52
2014		
1st Quarter	₱13.25	₱10.03
2nd Quarter	₱22.00	₱13.63
3rd Quarter	₱31.93	₱21.73
4th Quarter	₱32.00	₱25.93
2015		
1st Quarter	₱32.30	₱24.00

The Company's stocks share price was at ₱23.25 per share as of April 10, 2015.

B. HOLDERS

The Company has 54 shareholders as of the end of 2014, with 2,530,590,350 common shares issued and outstanding. The top 20 stockholders of the Company as of December 31, 2014 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	1,746,886,486	69.74%
Sumitomo Metal Mining Philippine Holdings Corporation	Japanese	481,552,642	19.03%
PCD Nominee Corporation (Non-Filipino)	Foreign	270,259,929	10.68%
Pacific Metals Co., Ltd.	Japanese	4,204,171	0.17%
Gerard H. Brimo	Filipino	3,478,125	0.14%
Manuel B. Zamora, Jr.	Filipino	1,994,079	0.08%
Philip T. Ang	Filipino	538,908	0.02%

Name	Citizenship	Shares	% of Ownership
Emmanuel L. Samson	Filipino	462,000	0.02%
Ronaldo B. Zamora	Filipino	433,408	0.02%
Jose S. Saret	Filipino	396,000	0.02%
Martin Antonio G. Zamora	Filipino	329,475	0.01%
Lennie A. Terre	Filipino	276,750	0.01%
Scott Ian Lim Yu	Filipino	268,500	0.01%
Steven Ivan Lim Yu	Filipino	258,500	0.01%
Jose Roderick F. Fernando	Filipino	198,450	0.01%
Philipp D. Ines	Filipino	137,497	0.01%
Ma. Angela G. Villamor	Filipino	134,937	0.01%
Gayly Lim Yu	Filipino	123,500	0.00%
Eva Policar-Bautista	Filipino	121,875	0.00%
Luismil de Villa Gala and/or Sylvia Reynoso Gala	Filipino	100,050	0.00%

C. DIVIDENDS

The following tables show the dividends declared to common shareholders for the years ended December 31, 2014, 2013 and 2012:

Cash Dividends

Earnings	Date			Amount	
	Declared	Record	Payable	Per Share (after the Stock Dividends)	Total Declared (in millions)
2014	November 10, 2014	November 24, 2014	December 10, 2014	₱0.33	₱ 1,264.0
2014	March 24, 2014	April 10, 2014	May 8, 2014	0.20	757.7
2013	April 5, 2013	April 22, 2013	May 14, 2013	0.19	705.3
2012	March 28, 2012	April 16, 2012	May 11, 2012	0.28	1,073.5

Stock Dividends

Earnings	Date			%	No. of Shares (in millions)	Total Declared (in millions)
	Approved	Record	Issued			
2014	December 18, 2014	January 12, 2015	January 28, 2015	50	1,265.3	₱632.6
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 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.

Cash dividends are paid to all shareholders at the same time and within 30 calendar days from declaration date. Stock dividends are also issued to all shareholders at the same time but subject to shareholder's approval.

D. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

No unregistered securities were sold in 2014.

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, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the 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, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 are hereto attached.

The following table sets forth the summary financial information for the three years ended December 31, 2014, 2013 and 2012 and as at December 31, 2014, 2013 and 2012:

Summary Consolidated Statements of Income

	For the Years Ended Dec 31			Horizontal Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2014	2013	2012	2014 vs. 2013	%	2013 vs. 2012	%
	(In thousand pesos)						
Revenues	24,745,704	11,109,529	11,606,907	13,636,175	123%	(497,378)	-4%
Cost and expenses	(10,445,770)	(7,562,413)	(7,458,036)	2,883,357	38%	104,377	1%
Finance income	172,104	166,753	235,040	5,351	3%	(68,287)	-29%
Finance expenses	(164,369)	(128,298)	(114,536)	36,071	28%	13,762	12%
Equity in net income (losses) of associates	522,380	(184,703)	(114,639)	(707,083)	-383%	70,064	61%
Other income - net	470,897	309,783	300,262	161,114	52%	9,521	-3%
Provision for income tax - net	(4,292,827)	(1,124,215)	(1,334,698)	3,168,612	282%	(210,483)	-16%
Net income	11,008,119	2,586,436	3,120,300	8,421,683	326%	(533,864)	17%
Net income attributable to:							
Equity holders of the parent	8,551,627	2,053,674	2,207,210	6,497,953	316%	(153,536)	-7%
Non-controlling interests	2,456,492	532,762	913,090	1,923,730	361%	(380,328)	-42%
	11,008,119	2,586,436	3,120,300	8,421,683	326%	(533,864)	-17%

Summary Consolidated Statements of Income

	For the Years Ended Dec 31			Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2014	2013	2012	2014 vs. 2013	%	2013 vs. 2012	%
	(In thousand pesos)						
Revenues	24,745,704	11,109,529	11,606,907	13,636,175	162%	(497,378)	93%
Cost and expenses	(10,445,770)	(7,562,413)	(7,458,036)	2,883,357	34%	104,377	-20%
Finance income	172,104	166,753	235,040	5,351	0%	(68,287)	13%
Finance expenses	(164,369)	(128,298)	(114,536)	36,071	0%	13,762	-3%
Equity in net income (losses) of associates	522,380	(184,703)	(114,639)	(707,083)	-8%	70,064	-13%
Other income - net	470,897	309,783	300,262	161,114	2%	9,521	-2%
Provision for income tax - net	(4,292,827)	(1,124,215)	(1,334,698)	3,168,612	38%	(210,483)	39%
Net income	11,008,119	2,586,436	3,120,300	8,421,683	100%	(533,864)	100%
Net income attributable to:							
Equity holders of the parent	8,551,627	2,053,674	2,207,210	6,497,953	77%	(153,536)	29%
Non-controlling interests	2,456,492	532,762	913,090	1,923,730	23%	(380,328)	71%
	11,008,119	2,586,436	3,120,300	8,421,683	100%	(533,864)	100%

Summary Consolidated Statements of Financial Position

	2014	2013	2012	Horizontal Analysis Increase (Decrease) 2014 vs. 2013	%	Increase (Decrease) 2013 vs. 2012	%
	(In Thousand Pesos)						
Current assets	20,611,470	14,601,036	13,449,547	6,010,434	41%	1,151,489	9%
Noncurrent assets	14,572,438	14,312,492	13,729,670	259,946	2%	582,822	4%
Total assets	35,183,908	28,913,528	27,179,217	6,270,380	22%	1,734,311	6%
Current liabilities	2,114,567	1,308,963	1,275,729	805,604	62%	33,234	3%
Noncurrent liabilities	2,166,995	2,392,777	2,321,784	(225,782)	-9%	70,993	3%
Non-controlling interests	3,716,715	4,721,640	4,705,278	(1,004,925)	-21%	16,362	0%
Equity attributable to equity holders of the Parent	27,185,631	20,490,148	18,876,426	6,695,483	33%	1,613,722	9%
Total liabilities and equity	35,183,908	28,913,528	27,179,217	6,270,380	22%	1,734,311	6%

Summary Consolidated Statements of Financial Position

	2014	2013	2012	Vertical Analysis Increase (Decrease) 2014 vs. 2013	%	Increase (Decrease) 2013 vs. 2012	%
	(In Thousand Pesos)						
Current assets	20,611,470	14,601,036	13,449,547	6,010,434	96%	1,151,489	66%
Noncurrent assets	14,572,438	14,312,492	13,729,670	259,946	4%	582,822	34%
Total assets	35,183,908	28,913,528	27,179,217	6,270,380	100%	1,734,311	100%
Current liabilities	2,114,567	1,308,963	1,275,729	805,604	13%	33,234	2%
Noncurrent liabilities	2,166,995	2,392,777	2,321,784	(225,782)	-4%	70,993	4%
Non-controlling interests	3,716,715	4,721,640	4,705,278	(1,004,925)	-16%	16,362	1%
Equity attributable to	-						
equity holders of the Parent	27,185,631	20,490,148	18,876,426	6,695,483	107%	1,613,722	93%
Total liabilities and equity	35,183,908	28,913,528	27,179,217	6,270,380	100%	1,734,311	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31 2014	2013	2012
	(In Thousand Pesos)		
Net cash flows from (used in):			
Operating activities	11,261,684	4,120,922	4,078,964
Investing activities	(2,480,161)	(1,913,083)	(3,298,652)
Financing activities	(5,550,515)	(1,310,079)	(1,759,134)
Net increase (decrease) in cash and cash equivalents	3,231,008	897,760	(978,822)
Cash and cash equivalents, beginning	10,234,336	9,263,451	10,350,592
Effect of exchange rate changes in cash and cash equivalents	96,459	73,125	(108,319)
Cash and cash equivalents, end	13,561,803	10,234,336	9,263,451

RESULTS OF OPERATIONS

Calendar year ended December 31, 2014 compared with calendar year ended December 31, 2013

Revenues

Our total revenues were ₱24,745.7 million in 2014 as compared to ₱11,109.5 million in 2013, an increase of ₱13,636.2 million, or 123%.

Sale of ore

We sold an aggregate 17,873.3 thousand WMT of nickel ore in 2014, an increase of 28% compared to 13,998.4 thousand WMT of nickel ore in 2013. Our sales for this year included 5,740.5 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 4,568.2 thousand WMT of limonite ore to our Chinese customers, 158.4 thousand WMT of limonite ore to an Australian company and 7,406.2 thousand WMT of limonite ore to CBNC and THNC compared to sales of 3,594.2 thousand WMT, 6,124.7 thousand WMT, nil and 4,279.5 thousand WMT, respectively, in 2013.

The growth in shipment volumes was largely the result of increased ore deliveries to the HPAL plants, in particular to the Taganito HPAL facility, now on its first full year of commercial operations. The said plant was still in its pre-operating stage last year. As a result, total ore deliveries to the two HPAL plants reached 7,406.2 thousand WMT in 2014 compared to 4,279.5 thousand WMT in 2013. The direct exports of ore likewise contributed to our higher shipments, increasing from 9,718.9 thousand WMT in 2013 to 10,467.1 thousand WMT in 2014.

Our revenue from sale of nickel ore was ₱23,736.6 million in 2014 compared to ₱10,321.7 million in 2013, an increase of ₱13,414.9 million or 130%. The effect of the Indonesian ore export ban has led to significantly higher ore prices in 2014. On a US dollar per WMT basis, the average realized price received for ore sales to Japanese, Chinese and Australian customers totaling 10,467.1 thousand WMT of both saprolite and limonite ore sold amounted to $45.10. This compares to an average price of $21.28 per WMT in 2013 on a total of 9,718.9 thousand WMT of ore sold.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which remain benchmarked to LME prices, we realized an average of $7.69 per pound of payable nickel on 7,406.2 thousand WMT sold in 2014. This compares to an average price of $6.70 per pound of payable nickel on 4,279.5 thousand WMT sold in 2013.

We own 60% of Rio Tuba Nickel Mining Corporation ("RTN"), which owns and operates the Rio Tuba mine. RTN's revenue from sale of nickel ore was ₱6,610.4 million in 2014 compared to ₱3,035.8 million in 2013, an increase of ₱3,574.6 million or 118%. RTN sold an aggregate 5,972.4 thousand WMT of nickel ore in 2014 compared to an aggregate 5,774.4 thousand WMT of nickel ore sold last year. The volume of saprolite ore sold to Japanese customers increased by 541.1 thousand WMT or 144% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 320.7 thousand WMT or 16%. Further, the volume of limonite ore sold to CBNC decreased by 22.5 thousand WMT or 1%.

RTN's revenue from sale of limestone ore was ₱316.1 million in 2014, as compared to ₱153.8 million in 2013, an increase of ₱162.3 million or 106%. A total of 429.0 thousand WMT of limestone ore was delivered to CBNC this year compared to 211.6 thousand WMT last year. In 2013, most of CBNC's requirement for limestone ore was acquired from another supplier and this caused the lower limestone ore delivery last year. In addition, one of CBNC's plants had undergone maintenance shutdown in 2013.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mine. TMC's operations became the largest and accounted for 40% of total shipments during the year. TMC's revenue from sale of nickel ore was ₱8,479.0 million in 2014 as compared to ₱3,109.1 million in 2013, an increase of ₱5,369.9 million, or 173%. TMC sold an aggregate 7,087.7 thousand WMT of nickel ore this year as compared to an aggregate 3,893.1 thousand WMT of nickel ore last year. The volume of saprolite ore sold to Japanese customers increased by 210.9 thousand WMT or 47% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 165.5 thousand WMT or 6%. Further, TMC was able to deliver 4,023.4 thousand WMT of limonite ore to the THNC plant in 2014 whereas there was only 874.2 thousand WMT in 2013.

We own 100% of CMC, which owns and operates the Cagdianao mining oerations. CMC's revenue from sale of nickel ore was ₱3,595.5 million in 2014 as compared to ₱737.9 million in 2013, an increase of ₱2,857.6 million, or 387%. CMC sold an aggregate 1,350.3 thousand WMT of nickel ore this year compared to an aggregate 888.8 thousand WMT of nickel ore last year.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of nickel ore was ₱5,051.7 million in 2014 compared to ₱3,438.9 million in 2013, an increase of ₱1,612.8 million, or 47%. This year HMC managed to sell an aggregate 3,462.9 thousand WMT of saprolite and limonite ore to Chinese customers compared to 3,442.0 thousand WMT of saprolite and limonite ore to Japanese and Chinese customers last year.

Services and Others

Our revenue from services and others was ₱693.0 million in 2014 compared to ₱634.0 million in 2013, an increase of ₱59.0 million, or 9%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The main reason for the sudden increase in our revenues from services and others in 2014 was due to the increase in materials handling services rendered by TMC to THNC, being the latter's first full year of commercial operations whereas in 2013, Taganito HPAL facility was still in its pre-operating stage.

Costs and Expenses

Our costs and expenses amounted to ₱10,445.8 million in 2014 as compared to ₱7,562.4 million in 2013, an increase of ₱2,883.4 million, or 38%.

Cost of Sales

Our cost of sales was ₱5,356.4 million in 2014 as compared to ₱4,489.3 million in 2013, an increase of ₱867.1 million, or 19%. The slight increase in cost of sales was due to the combination of higher volume of production and shipments but lower production cost. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱1,938.3 million to ₱2,613.0 million, outside services from ₱869.4 million to ₱1,246.4 million, personnel cost from ₱669.7 million to ₱894.2 million, and depreciation and depletion from ₱830.5 million to ₱984.4 million.

Cost of Services

Cost of services was ₱371.1 million in 2014 as compared to ₱335.3 million in 2013, an increase of ₱35.8 million, or 11%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. The surge in cost of services arises mainly from the 126% increase in volume handled for materials handling services rendered by TMC to THNC in 2014 whereas in 2013, the volume handled was only minimal.

Shipping and Loading

Shipping and loading costs were ₱1,837.6 million for the year 2014 compared to ₱1,398.8 million for the year 2013, an increase of ₱438.8 million, or 31%. Aside from the 8% increase in volume of our direct export of ores to Japan, China and Australia, the increment in shipping and loading costs was also brought by additional barges hired/contracted due to dry-docking of three tugboats of RTN, repair of one LCT of TMC and dry-docking of two LCTs of HMC.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,754.8 million in 2014 compared to ₱648.6 million in 2013, an increase of ₱1,106.2 million, or 171%. The increase in excise taxes and royalties was attributable to the growth in our sales revenue during the year as compared to the same period last year, particularly from TMC and CMC.

Marketing

Marketing costs were ₱168.9 million and ₱65.6 million in 2014 and 2013, respectively. Basically, the increase in marketing cost was due to higher commission paid by CMC to its claim owner which is based on a certain percentage of its sales revenue.

General and Administrative

General and administrative expenses were ₱956.9 million for the year 2014 compared to ₱624.8 million for the year 2013, an increase of ₱332.1 million, or 53%. The increase in taxes and licenses by ₱149.7 million, personnel cost by ₱60.8 million, outside services by ₱35.6 million and donations by ₱37.0 million caused the significant increase in the account. The increment in taxes and licenses pertains to the fringe benefit tax on stock option exercised during the year. In 2014, a total of 11.4 million shares were exercised, with corresponding fringe benefit tax of ₱116.4 million, as compared to only 1.9 million shares in 2013, with corresponding fringe benefit tax of ₱15.4 million. In addition, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱47.80 compared to ₱21.25 to ₱27.75 in 2013. Higher incentives were also given to employees due to favorable results of operations in 2014, thus personnel cost increased. Moreover, donations amounting to ₱31.5 million were given to the victims of super typhoon in Guiuan, Eastern Samar. The donations were used in the delivery of relief goods and building and reconstruction of houses. Aside from that, donations amounting to ₱3.5 million were also given to the Philippine General Hospital for the renovation of the wards.

Finance Income

Our finance income was ₱172.1 million in 2014 as compared to ₱166.8 million in 2013, an increase of ₱5.3 million, or 3%.

Finance Expenses

Our finance expense was ₱164.4 million in 2014 as compared to ₱128.3 million in 2013, an increase of ₱36.1 million, or 28%. Basically, the movement in our finance expense arises from the increase in our loan guarantee service fee, which moved from ₱104.2 million to ₱134.8 million, due to additional loan drawn by THNC. The guarantee service fee is related to the Taganito HPAL project.

Equity in Net Income (Losses) of Associates

Our equity in net income or losses of THNC and CBNC was ₱522.4 million income and ₱184.7 million loss in 2014 and 2013, respectively. The result of THNC's operations in 2014 and 2013 was a net income of US$32.1 million and a net loss of US$19.3 million, respectively. On the other hand, the results of CBNC 's operations for the last three quarters of 2014 was income of US$59.4 million.

Other Income - net

Our other income - net in 2014 was ₱470.9 million compared to ₱309.8 million in 2013, an increase of ₱161.1 million, or 52%. The significant increase in our other income - net was brought mainly by the movement in foreign exchange gains from ₱53.3 million in 2013 to ₱182.5 million in 2014. In both periods, the Group was in net foreign currency denominated asset position but the average value of peso to dollar in 2014 of ₱44.39 was higher compared to ₱42.43 in 2013, thus the increase in foreign exchange gains. In addition, the net effect of the reversal of allowance for impairment losses resulted to an increase in other income – net by ₱362.2 million. Special projects of RTN also increased from ₱28.4 million to ₱84.8 million. However, the increase was partially offset by the decrease in dividend income and gain on sale of property and equipment and investment properties. In 2013, CBNC paid dividends of ₱60.5 million and the Group sold its condominium units at a gain of ₱222.0 million and none of these happened in 2014. Moreover, TMC recognized impairment for its conveyor amounting to ₱98.5 million which has become inoperational last September 1, 2014.

Provision for (Benefit from) Income Tax

Provision for income tax was ₱4,292.8 million in 2014 compared to ₱1,124.2 million in 2013, an increase of ₱3,168.6 million, or 282%. Our current provision for income tax in 2014 was ₱4,265.5 million compared to ₱1,169.5 million in 2013, an increase of ₱3,096.0 million, or 265% primarily due to the increase in our taxable income in 2014 resulting from higher sales revenue. Our provision for deferred income tax in 2014 was ₱27.4 million compared to a benefit from deferred income tax of ₱45.3 million in 2013, an increase in provision for deferred income tax of ₱72.7 million, or 160%. The provision for deferred income tax in 2014 was higher compared to 2013 due to the application of NOLCO amounting to ₱169.8 million (with tax effect of ₱51.0 million) and application of excess of MCIT over RCIT of ₱19.9 million.

Net Income
As a result of the foregoing, our consolidated net income was ₱11,008.1 million in 2014 compared to ₱2,586.4 million in 2013. Net of non-controlling interests, our net income was ₱8,551.6 million in 2014 as compared to ₱2,053.7 million in 2013, an increase of ₱6,497.9 million, or 316%.

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 ₱10,321.7 million in 2013 as compared to ₱11,099.2 million in 2012, a decrease of ₱777.5 million, or 7%, mainly as a result of lower LME nickel prices despite a higher sales volume achieved and depreciation of peso as against US dollar. On a US dollar per WMT basis, the average realized price received for ore sales to Japanese and Chinese customers totaling 9,718.9 thousand WMT of both saprolite and limonite ore sold amounted to $21.28. This compares to an average price of $27.62 per WMT in 2012 on a total of 8,378.6 thousand WMT of ore sold.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, we realized an average of $6.70 per pound of payable nickel on 4,279.5 thousand WMT sold in 2013. This compares to an average price of $8.02 per pound of payable nickel on 3,351.6 thousand WMT sold 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 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 ₱11,099.2 million in 2012 as compared to ₱12,130.1 million in 2011, a decrease of ₱1,030.9 million, or 8%. The decrease in revenue was due both to lower ore prices and appreciation of peso as against US Dollar. On a US dollar per WMT basis, the average realized price received for ore sales to Japanese and Chinese customers totaling 8,378.6 thousand WMT of both saprolite and limonite ore sold amounted to $27.62. This compares to an average price of $31.97 per WMT in 2011 on a total of 7,409.9 thousand WMT of ore sold.

With respect to low-grade limonite ore sold to Coral Bay, we realized an average of $8.02 per pound of payable nickel on 3,351.6 thousand WMT sold in 2012. This compares to an average price of $10.53 per pound of payable nickel on 2,976.9 thousand WMT sold 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%.

FINANCIAL POSITION

Calendar year as at December 31, 2014 and 2013

Total assets amounted to ₱35,183.9 million in 2014 compared to ₱28,913.5 million in 2013.

Current assets increased to ₱20,611.5 million from ₱14,601.0 million mainly because of the increase in cash and cash equivalents from ₱10,234.3 million to ₱13,561.8 million; and trade and other receivables from ₱839.4 million to ₱1,431.1 million as a result of the increase in sales revenue during the year. In addition, AFS financial assets increased from ₱1,257.4 million to ₱2,281.6 million due to additional investments in various debt and equity securities.

The increase in noncurrent assets from ₱14,312.5 million to ₱14,572.4 million was brought by the increase in investment in associates due to equity take up on the results of operations of CBNC and THNC. In 2014, CBNC and THNC yielded favorable results of operations as compared in 2013 wherein THNC was in net loss position. The increase was slightly reduced by the decrease in long-term stockpile due to deliveries made to CBNC plant, disposal of AFS financial assets and decrease in deferred income tax assets due to application of NOLCO and excess of MCIT over RCIT and reversal of allowances for impairment losses on inventory and advances to claimowners.

Total current liabilities increased to ₱2,114.6 million as at December 31, 2014 from ₱1,309.0 million as at December 31, 2013 due to income taxes payable, which increased from ₱263.4 million to ₱513.6 million, and trade and other payables, which increased from ₱928.1 million to ₱1,482.6 million.

Total noncurrent liabilities decreased to ₱2,167.0 million as at December 31, 2014 from ₱2,392.8 million as at December 31, 2013 due to payments of long-term debt amounting to ₱115.7 million and payments of rehabilitation cost amounting to ₱10.4 million. Deferred income tax liabilities also decreased from ₱486.2 million to ₱421.0 million and pension liability decreased from ₱279.1 million to ₱231.3 million.

Our equity net of non-controlling interests as at December 31, 2014 increased to ₱27,185.6 million from ₱20,490.1 million as of year-end 2013, due to net earnings in 2014.

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 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 income.

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.

CASH FLOWS

Calendar year ended December 31, 2014, 2013 and 2012

The net cash flows from operating activities amounted to ₱11,261.7 million in 2014, compared to ₱4,120.9 million in 2013 and ₱4,079.0 million in 2012, as proceeds from the sale of ore were higher in 2014 as compared in 2013 and 2012. Basically, the movement pertains to higher cash generated from operations as a result of the significant increase in sales revenue in the current year.

Net cash used for investment activities amounted to ₱2,480.2 million, ₱1,913.1 million and ₱3,298.7 million in 2014, 2013 and 2012, respectively, mainly for the acquisitions of property and equipment and net acquisitions of AFS financial assets.

In 2014, 2013 and 2012, the net cash used in financing activities amounting to ₱5,550.5 million, ₱1,310.1 million and ₱1,759.1 million, respectively, arises mainly from payments of cash dividends and long-term debt.

As at December 31, 2014, 2013 and 2012, cash and cash equivalents amounted to ₱13,561.8 million, ₱10,234.3 million and ₱9,263.5 million, respectively.

TOP FIVE KEY PERFORMANCE INDICATORS

1) SALES VOLUME

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for 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 51,000 tonnes of mixed nickel-cobalt sulfide over an estimated 30-year Project life.

Type and Grade of Ore that we Mine

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

2) CASH OPERATING COST PER VOLUME SOLD

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

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

The average cash operating cost per volume sold in 2014 is ₱518.10 per WMT on the basis of aggregate cash costs of ₱9,260.2 million and a total sales volume of 17,873.3 thousand WMT of ore. This compares to ₱426.82 per WMT during the same period in 2013 on the basis of aggregate cash costs of ₱5,974.7 million and a total sales volume of 13,998.3 thousand WMT of ore.

3) ATTRIBUTABLE NET INCOME

Attributable net income represents the portion of consolidated profit or loss for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company in 2014 is ₱8.55 billion compared to ₱2.05 billion in 2013.

4) NUMBER OF HECTARES REHABILITATED/REFORESTED

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. To manage environmental impacts, the Company's subsidiaries have an EPEP. This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. A major component under our EPEP is the rehabilitation and reforestation of the areas affected by our mining operations. We also participate in the government's National Greening Program where we plant trees and/or donate seedlings outside of our mining properties. In 2014 and 2013, the Group has rehabilitated a total of 197.31 hectares and 201.81 hectares, respectively, of mine disturbed / mined out areas within their MPSA areas with corresponding number of trees planted of about 406,610 and 358,628, respectively. Planting outside the MPSA areas were also conducted in compliance with DENR's thrust of massive reforestation project nationwide known as National Greening Program (NGP) and contributing about 149.04 hectares and 822.5 hectares in 2014 and 2013, respectively, of areas planted of various endemic tree species and seedling donations to LGU's and other NGP participating institution numbering to about 74,580 seedlings and 198,375 seedlings, respectively.

5) FREQUENCY RATE

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations. We measure our safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2014 and 2013, our frequency rate is 0.24.

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 current audit partner and has served the Company during the two most recent 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.

Audit and Audit-Related Fees
For the years 2014, 2013 and 2012, SGV & Co. were engaged primarily to express an opinion on the financial statements of the Parent Company and its subsidiaries.

Non-Audit Services Fees
Non-audit services fees pertain to fees paid to SGV & Co. for the performance of agreed upon procedures on the application of the proceeds from the Initial Public Offering, tax related consultations and transfer pricing studies.

The following table sets out the aggregate fees incurred in 2014 and 2013 for professional services rendered by SGV & Co.:

	2014	2013
	(In Thousands)	
Audit and Audit-Related Services	₱10,506	₱10,201
Non-Audit Services	1,878	1,227
Total	₱12,384	₱11,428

Audit Committee's Approval of Policies and Procedures
Prior to the commencement of the year-end audit work, SGV & Co. present their program and schedule to the Company's Audit Committee, which include discussion of issues and concerns regarding the audit work to be done. At the completion of the audit works, the Group's audited financial statements for the year are likewise presented by SGV & Co. to the Audit Committee for committee approval and endorsement to the full Board for final approval. The 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

A. 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 are the present directors of the Company:

Name	Age	Citizenship	Position	Date First Elected	Date Last Elected	No. of Years served as Director
Manuel B. Zamora, Jr.	76	Philippine National	Executive Director, Chairman	July 11, 2008	June 6, 2014	6 years and 5 months
Philip T. Ang	73	Philippine National	Executive Director and Vice-Chairman	July 11, 2008	June 6, 2014	6 years and 5 months
Luis J. L. Virata	61	Philippine National	Non-Executive Director	July 11, 2008	June 6, 2014	6 years and 5 months
Gerard H. Brimo	63	Philippine National	Executive Director, President and Chief Executive Officer	August 1, 2009	June 6, 2014	5 years and 4 months
Martin Antonio G. Zamora	42	Philippine National	Executive Director, Senior Vice President for Marketing and Strategic Planning	July 30, 2013	June 6, 2014	1 year and 5 months
Takanori Fujimura	71	Japanese National	Non-Executive Director	September 20, 2010	June 6, 2014	4 years and 3 months
Takeshi Kubota	60	Japanese National	Non-Executive Director	September 20, 2010	June 6, 2014	4 years and 3 months
Fulgencio S. Factoran, Jr.	72	Philippine National	Independent Director	September 20, 2010	June 6, 2014	4 years and 3 months
Frederick Y. Dy	60	Philippine National	Independent Director	September 24, 2010	June 6, 2014	4 years and 3 months

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.

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.

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.

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 SyCip Gorres Velayo & Co.

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.

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.

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 B. Anievas	70	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 Special Projects*/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
Augusto C. Villaluna	66	Philippine National	Vice President - Operations**
Gerardo Ignacio B. Ongkingco	56	Philippine National	Vice President - Human Resources**
Marnelle A. Jalandoon	44	Philippine National	Assistant Vice President - MIS and Administration
Barbara Anne C. Migallos	60	Philippine National	Corporate Secretary

* Effective April 1, 2015.
** Effective February 2, 2015.

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

JOSE B. ANIEVAS is the Senior Vice President for Operations and Chief Operating Officer of the Company. He started working with Taganito Mining Corporation in 2009 as its Resident Manager and later as its Vice President for Operations. He has worked with the mining industry for 44 years, 37 years with Philex Mining Corporation and Philex Gold Philippines as its Vice President for Operations until his retirement in December 2002, 2 years with Carrascal Nickel Corporation and 5 years with Taganito Mining Corporation. He also served the Government in the Professional Regulation Commission as a member of the Board of Examiners for Mining Engineering in 1997-2000 and was President of the Philippine Society of Mining Engineers in the Caraga region in 2010-2012. He is a Fellow of the Society of Mining Engineers and a Competent Person in the Copper and Gold operations. Mr. Anievas earned his Bachelor of Science in Mining Engineering from Mapua Institute of Technology and subsequently passed the Board Exams in 1967. He also received a certificate for completing the Management Development Program from the Asian Institute of Management in 1978.

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 for Legal and Special Projects and Assistant Corporate Secretary of the Company and is responsible for the Group's legal 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 Balane Tamase Alampay 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 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 SyCip Gorres Velayo & Co. She also worked as Senior Manager in KPMG UAE.

AUGUSTO C. VILLALUNA is the Vice President for Operations responsible for the Rio Tuba and Taganito mines of the Company. Engr. Villaluna is a licensed Mining Engineer/Fellow with over 42 years' experience in both underground and surface mining. He last served as Executive Vice President of Lepanto Consolidated Mining Company and Senior Vice President and member of the Board of Directors of Manila Mining Corporation. He received his Bachelor of Science degree in Mining Engineering from Mapua Institute of Technology. He is a director of the Philippine Mine Safety an Environment Association. He is a Competent Person under the Philippine Mineral Reporting Code, as well as, a registered APEC and ASEAN Engineer. Engr. Villaluna sits as member of the Board of Mining Engineering of the Professional Regulation Commission.

GERARDO IGNACIO B. ONGKINGCO is the Vice President for Human Resources of the Company. His career in Human Resources started in the early 80's and has been enriched with exposure to various industries; government, manufacturing, agriculture and hospitality. He was past President of the Philippine Quality and Productivity Movement, Davao Chapter. He earned his Bachelor's Degree in Community Development as well as his Masters in Industrial Relations from the University of the Philippines.

MARNELLE A. JALANDOON is the Assistant Vice President – MIS and Administration of the Company and is responsible for the technology, communications infrastructure and administrative operations of the NAC Group. Prior to joining NAC in 2008, Mr. Jalandoon was the Technical Operations Director of Concentrix Technologies, Inc, driving both the Technical Department and the Application Development Teams. He has held various IT positions with Grand International Airways, First Internet Alliance, WebScape, I-Next Internet and PSINET Philippines, garnering more than 20 years' experience in IT Infrastructure and Communications.

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.

B. 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.

C. 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.

D. 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 2013 and 2014 and their estimated compensation for 2015. 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, 2013			December 31, 2014			December 31, 2015 (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
	(In Php Thousands)								
Named executive officers [1]	₱29,129	₱16,482	₱45,611	₱32,191	₱29,624	₱61,815	₱33,246	₱13,945	₱47,191
All other officers and directors as a group unnamed	15,360	8,135	23,495	20,395	16,780	37,175	26,711	21,611	48,322

[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 Remuneration (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	Yes
Independent Director	150,000	50,000	10,000	Yes

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

STOCK OPTION PLANS

On June 6, 2014, our BOD and stockholders approved the 2014 Executive Stock Option Plan (the "2014 ESOP" or the "New Plan") covering up to thirty two million (32,000,000) shares allocated to our directors, officers, corporate secretary 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 2014 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 four (4) times the annual salary of the optionees. In case of non-executive directors and the corporate secretary, their grants shall be the average of the highest and lowest grants within the ESOP. The 2014 ESOP shall be valid for five (5) years commencing from the date of the approval of the New Plan. Options shall vest yearly at a rate of 25% of the entitlement, with the first vesting occurring one year after the grant. The optionee can exercise the vested option by giving notice to the Company within the term of the New 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.

On June 16, 2010, our BOD and stockholders approved the 2010 Executive Stock Option Plan (the "2010 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 2010 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 2010 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 2014, 2013 and 2012 amounted to ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively.

Several executive officers have exercised their option under the ESOP totaling to 11,431,005 shares at an exercise price of ₱7.20 per share in 2014, 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 (all are ₱4.80 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.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. 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, 2014 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	1,764,886,486	69.74%
Common Stock	Mantra Resources Corporation 30th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig	Manuel B. Zamora, Jr. - Chairman	Filipino	645,333,513**	25.50%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City		Foreign	604,928,542***	23.90%
Common Stock	Ni Capital Corporation 28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig	Philip T. Ang - Vice Chairman	Filipino	338,910,461	13.39%
Common Stock	Luis J. L. Virata 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City	Nonillion Holding Corporation*	Filipino	323,613,047	12.78%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	270,259,929	10.68%

** 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.*
***Lodged with a PCD Nominee Corporation*
****Partly lodged with a PCD Nominee Corporation (123,375,900)*

B. SECURITY OWNERSHIP OF MANAGEMENT

The beneficial ownership of the Company's directors and executive officers as of December 31, 2014 follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Manuel B. Zamora	2,073,588 - Direct 645,333,513 - through Mantra Resources Corporation	Filipino	25.58%
Common Stock	Gerard H. Brimo	4,349,625	Filipino	0.17%
Common Stock	Philip T. Ang	587,900 - Direct 338,910,461 - through Ni Capital Corporation	Filipino	13.42%
Common Stock	Luis J. L. Virata	323,613,047 - Direct	Filipino	12.79%
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	1,188,000	Filipino	0.04%
Common Stock	Emmanuel L. Samson	462,000	Filipino	0.01%
Common Stock	Martin Antonio G. Zamora	329,502	Filipino	0.01%
Common Stock	Raymundo B. Ferrer	—	Filipino	0%
Common Stock	Rolando R. Cruz	110,000	Filipino	0%
Common Stock	Jose Roderick F. Fernando	268,050	Filipino	0.01%
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	355,103	Filipino	0.01%

C. VOTING TRUST HOLDERS OF 5% OR MORE

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

D. 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:

<u>Nickel Ore Sale Agreements with PAMCO</u>
CMC and TMC supply saprolite ore to PAMCO. 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 LME. Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per WMT of ore. PAMCO shall

pay the Group eighty percent (80%) to 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
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 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, 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. The Parent Company acquired its 10% direct ownership in CBNC by way of property dividend distributed by RTN in March 2014.

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 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 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 51,000 dry metric tons of mixed nickel-cobalt sulfide 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. Pursuant to the 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.

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, which further increased to US$1,590.0 million, project investment that will be undertaken by THNC.

The agreement shall terminate upon the dissolution of THNC.

On November 20, 2012, 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 August 4, 2014 and October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US$117.7 million to cover the latter's working capital requirement and US$90.0 million for the construction of the tailings dam, respectively.

<u>Loan Guarantee/Substitution Agreement</u>

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.

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.

Loan Agreement with EPI
On August 22, 2014, the Company and EPI executed a loan agreement amounting to ₱551.0 million which is to be drawn in two (2) tranches. The first and second tranche of the loan is ₱105.0 million and ₱446.0 million, respectively, with an interest rate of 2% p. a.

The loan agreement states that EPI shall pay interest on all outstanding amounts of the first tranche loan and on the second tranche loan at the rate of 2% p. a., payable on the first tranche repayment date for the first tranche loan and on the second tranche repayment date for the second tranche loan.

The proceeds of the first tranche loan shall be used by EPI to fund activities preparatory to drilling and for the drilling of the initial two (2) wells under the Montelago Geothermal Project, while the second tranche loan shall be used to fund the drilling costs and related activities (to include slim or other test holes) on the said initial two (2) wells.

The Company may convert the entire second tranche loan, and not any smaller portion thereof, into shares of stock of EPI constituting fifty five percent (55%) of its total issued and outstanding shares, at any time before the lapse of three hundred sixty five (365) days after drawdown of the entire second tranche loan (the Conversion Period). The Company may exercise such right of conversion by serving notice in writing to EPI (the Conversion Notice) within the Conversion Period. Upon receipt of a Conversion Notice, EPI shall issue such number of its shares taken from its authorized but unissued shares which, upon issuance, shall constitute fifty five percent (55%) of the issued and outstanding shares of stock of EPI.

For and to secure the loan and the notes covering the same, EPI shall pledge its shares of stock in OMCP consisting one hundred percent (100%) of OMCP's issued and outstanding shares, execute and deliver a Pledge Agreement covering the said shares.

During 2014, the first tranche loan in the amount of ₱105.0 million and forty percent (40%) of the second tranche loan in the amount of ₱178.4 million were already released to EPI.

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

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

Item 13. ANNUAL CORPORATE GOVERNANCE REPORT

See the accompanying Annual Corporate Governance Report.

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 press releases and SEC Form 17C filed in the last six months of 2014 which are covered in this report, to wit:

Items Reported	Date Reported
Resolutions from 2014 Annual Stockholders' Meeting and Organizational Meeting	June 6, 2014
Press Release: Clarification of News Article entitled "3rd Nickel Plant for PH"	June 9, 2014
Press Release: Disclosure re: Manicani operations	July 4, 2014
2014 Second Quarter Progress Report on the Application of the Proceeds from the IPO	July 14, 2014
Press Release: 1H 2014 Shipment Volume	July 15, 2014
Press Release on 1H 2014 Financial and Operating Results	August 8, 2014
Press Release: Major Push to Renewable Energy Business	August 8, 2014
2014 Third Quarter Progress Report on the Application of the Proceeds from the Initial Public Offering (IPO)	October 10, 2014
Press Release on Q3 2014 Financial and Operating Results	October 13, 2014
Press Release: Q3 2014 Shipment Volume	October 13, 2014
Declaration of 50% Stock Dividends and Cash Dividends	November 10, 2014
Resolutions from 2014 Special Stockholders' Meeting	December 18, 2014

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~~ MAKATI CITY on APR 13 2015, 2015.

By:

GERARD H. BRIMO
President and Chief Executive Officer

EMMANUEL L. SAMSON
Senior Vice President and
Chief Financial Officer

JOSE B. ANIEVAS*
Senior Vice President and
Chief Operating Officer

*Replaced Jose S. Saret who retired effective March 31, 2015

BARBARA ANNE C. MIGALLOS
Corporate Secretary

Iryan Jean U. Padillo

IRYAN JEAN U. PADILLO
Senior Finance Manager

Subscribed and sworn to before me this APR 13 2015 day of 2015, 2015 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 B. Anievas	EB7886029	04/16/2013	Manila
Barbara Anne C. Migallos	EC0356963	02/20/2014	Manila
Iryan Jean U. Padillo	EC1477706	06/25/2014	Manila

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ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 474 - 8510 JAN 05, 2015
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NICKEL ASIA CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1.	Report is Filed for the Year	**2014**
2.	Exact Name of Registrant as specified in its Charter	**NICKEL ASIA CORPORATION**
3.	Address of Principal Office	**NAC Tower, 32nd Street Bonifacio Global City, Taguig City**
4.	Postal Code	**1634**
5.	SEC Identification Number	**CS200811530**
6.	Industry Classification Code	(SEC Use Only)
7.	BIR Tax Identification Number	**007-085-191**
8.	Issuer's Telephone number, including area code	**+632 8926669 / +632 7987622**
9.	Former name or former address, if changed from the last report	**6th Floor NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City**

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Five (5)

Actual number of Directors for the year	Nine (9)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first Elected	Date last elected (if ID, state the number of years served as ID)[1] *	Elected when (Annual /Special Meeting)	No. of years served as director
Manuel B. Zamora, Jr.	ED	N/A	N/A	11 July 2008	06 June 2014	Annual	6 years and 5 months
Philip T. Ang	ED	N/A	N/A	11 July 2008	06 June 2014	Annual	6 years and 5 months
Luis J. Virata	NED	N/A	N/A	11 July 2008	06 June 2014	Annual	6 years and 5 months
Gerard H. Brimo	ED	N/A	N/A	01 August 2009	06 June 2014	Annual	5 years and 4 months
Martin Antonio G. Zamora	ED	N/A	N/A	30 July 2013	06 June 2014	Annual	1 year and 5 months
Takanori Fujimura	NED	Sumitomo Metal Mining Philippine Holdings, Inc.	N/A	20 September 2010	06 June 2014	Annual	4 years and 3 months
Takeshi Kubota	NED	Sumitomo Metal Mining Philippine Holdings, Inc.	N/A	20 September 2010	06 June 2014	Annual	4 years and 3 months
Fulgencio S. Factoran, Jr.	ID	N/A	Philip T. Ang	20 September 2010	06 June 2014	Annual	4 years and 3 months
Frederick Y. Dy	ID	N/A	Manuel B. Zamora, Jr.	24 September 2010	06 June 2014	Annual	4 years and 3 months

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

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. On July 30, 2014, the Company further amended its Manual to incorporate the provisions mandated under SEC Memorandum Circular No. 9, series of 2014 (based on Form 17-C filed on July 30, 2014).

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 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 by the Board of Directors (Board) and of Management of their respective duties and responsibilities to the shareholders.

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's Manual on Corporate Governance provides for qualifications of Directors, which allows shareholders to freely choose/nominate Directors coming from diverse professional backgrounds. Every shareholder, regardless of number of stocks held, has the right to nominate candidates for election to the Board of Directors.

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 members of the Board 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.

The Company's Board 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 espouses the definition of independence pursuant to the Securities Regulation Code. 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 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 Board 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 Board'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 and other stakeholders.

As provided in Section 6 of the Manual on Corporate Governance, the Board shall respect the rights of the stockholders and protect the minority stockholders' interest. The following rights of the stockholders as provided in the Corporation Code, are:

(1) Right to vote on all matters that require their consent or approval;
(2) Pre-emptive right to all stock issuances of the corporation;

(3) Right to inspect corporate books and records;
(4) Right to information;
(5) Right to dividends; and
(6) Appraisal right.

The Company sends timely notice of meetings to shareholders. Notice stating the date, time and place of the annual meeting are announced at least thirty (30) days prior to the scheduled annual meeting. Materials for the meeting, including the agenda, the rationale and explanation for each of the items on the agenda, the Information Statement, profiles of candidates seeking election to the Board and proxy forms and documents required to enable a shareholder to appoint a proxy to vote on his behalf shall be disseminated to all shareholders within the periods prescribed by the SEC.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings. Stockholders shall be encouraged to personally attend. They shall be apprised in a timely manner of the right to appoint a proxy if they cannot attend. Subject to the requirements of the Company's By-laws, the exercise of the right to appoint a proxy shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights, and provide adequate venue for stockholders to seek timely redress for breach of their rights.

The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

The disclosure duties of the Board are contained in Section 8 of the Manual on Corporate Governance and are as follows:

The Board commits to cause the timely disclosure of material information and/or transactions that could potentially affect the market price of the Company's shares or the interest of its stockholders and other stakeholders and such other information which are required to be disclosed pursuant to the Securities Regulation Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off-balance sheet transactions, related party transactions, Board membership changes, shareholding of Directors and Officers and any changes thereto, and remuneration of Directors and Officers.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

BOARD COMMITTEES

The Board has constituted the following Committees and appointed the named Officers to effectively manage the operations of the Company:

AUDIT COMMITTEE

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

The Audit Committee is comprised of:

- Frederick Y. Dy, - Chairman
- Gerard H. Brimo – Member
- Takanori Fujimura - Member

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

The Board, upon the recommendation of the Audit Committee, appointed Ma. Angela G. Villamor, as the Company's Internal Auditor, who assumed office last April 1, 2011. The Internal Auditor reports directly to the Audit 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.

NOMINATION COMMITTEE

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

The Nomination Committee is comprised of:

- Manuel B. Zamora, Jr. - Chairman
- Takeshi Kubota – Member
- Fulgencio S. Factoran, Jr. - Member

The Nomination Committee reports directly to the Board and is required to meet at least twice a year.

The Nominations Committee held their meeting once in 2014 wherein all of them were present.

REMUNERATION (COMPENSATION) COMMITTEE

The Remuneration (Compensation) Committee is responsible for the establishment of a 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 Remuneration (Compensation) Committee is comprised of:

- Manuel B. Zamora, Jr. - Chairman
- Gerard H. Brimo – Member
- Frederick Y. Dy – Member

The Remuneration (Compensation) Committee reports directly to the Board and is required to meet at least twice a year.

All of the members of the Remuneration (Compensation) Committee met twice in 2014.

CORPORATE SECRETARY

Atty. 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

Atty. 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, to monitor compliance by the Company with the Manual and the rules and regulations of regulatory agencies. He ensures the Company's strict adherence to all laws, regulations, guidelines and specifications relevant to the business.

CORPORATE GOVERNANCE OFFICER

On May 6, 2014, the Board approved the appointment of Emmanuel L. Samson as the Company's Corporate Governance Officer to assess and monitor the governance framework and ensure compliance with policies, laws and regulations related to governance. He is tasked with ensuring that corporate governance policies are disseminated, adopted throughout the organization and become an integral part of the Company's culture. In addition, he also ensures that the necessary systems are in place to monitor compliance.

On May 28, 2014, the Board established a Code of Business Conduct and Ethics ("Code"). The Code is adopted for the guidance of Directors, Officers and Employees of Nickel Asia Corporation and its subsidiaries who are all expected to maintain high ethical standards of conduct and to comply fully with applicable laws and governmental regulations. The Code is designed to ensure consistency in how Directors, Officers and Employees conduct themselves within the Company, and in their dealings outside of the Company with respect to matters dealing with the Company. The Code is guided by the Company's core values and the following standards of business conduct and ethics – integrity; compliance with laws, regulations and standards; safety; proper communication: disclosure; confidentiality of certain information; conflict of interest and related party transactions; insider trading; competition and fair dealing: procurement governance; gifts, hospitality and sponsored travel; environmental policy; and risk management. The Code also provides guides on employee disclosures and complaints, as well as a periodic acknowledgment of compliance with the Code (Form 17-C filed on May 6, 2014).

On March 27, 2015, in line with the thrust of continuous improvement, the Board of Directors approved the following corporate governance policies and charters:

1. Policy on period for payment of dividends
2. Policy in furtherance of effective participation of shareholders at shareholders' meetings and the exercise of the right to vote. This formalizes into a policy practices for stockholders' meeting that are already done by the Company.
3. Policy on Related Party Transactions that follows definitions under Philippine Accounting Standards, which the Company already complies with, definition of material RPT, and review of material RPT by independent directors, for endorsement to BOD.
4. Policy requiring appointment of independent 3rd party to evaluate fairness of transaction price where Company is offeree in a merger or acquisition transaction requiring shareholders' approval that will result in a takeover or change of control of the Company.
5. Charter of the Compensation (Remuneration) Committee
6. Charter of the Nominations Committee

(c) How often does the Board review and approve the vision and mission?

Nickel Asia's Mission, Vision and Core Values are formulated by the Board of Directors in line with the Board's responsibility to set the Company's direction and to provide strategic leadership, policies and guidelines to foster the long-term success of the corporation for the best interests of its shareholders. The Company's Mission, Vision and Core Values are reviewed by the Board annually. The Board reviewed the Mission, Vision and Core Values of the Company in May 2014 and will undertake the annual review in 2015.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Manuel B. Zamora, Jr.	• Cordillera Exploration Company, Inc. • Taganito Mining Corporation • Rio Tuba Nickel Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation	• Chairman • Chairman • Chairman • Non-executive • Non-executive • Non-executive • Non-executive
Philip T. Ang	• Cordillera Exploration Company, Inc. • Taganito Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation	• Non-executive • Executive • Non-executive • Chairman • Executive • Non-executive
Gerard H. Brimo	• Taganito Mining Corporation • Cordillera Exploration Company, Inc. • Rio Tuba Nickel Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation	• Executive • Executive • Executive • Executive • Executive • Executive • Chairman
Martin Antonio G. Zamora	• Taganito Mining Corporation • Cordillera Exploration Company, Inc. • Rio Tuba Nickel Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation	• Non-executive • Non-executive • Executive • Non-executive • Non-executive • Non-executive • Executive
Fulgencio S. Factoran, Jr.	• Cordillera Exploration Company, Inc.	• Non-executive
Takanori Fujimura	• Cordillera Exploration Company, Inc.	• Non-executive
Luis J. Virata	• Rio Tuba Nickel Mining Corporation	• Non-executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Luis J. Virata	• Benguet Mining Corporation	Non-executive
Fulgencio S. Factoran, Jr.	• Atlas Consolidated Mining & Development Corporation • BDO Leasing & Finance	Independent
Frederick Y. Dy	• Security Bank Corporation	Non-executive
Philip T. Ang	• Security Bank Corporation	Non-executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Martin Antonio G. Zamora	Manuel B. Zamora, Jr.	Son

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

The Company has not set any limit on the number of board seats in other companies that its director may hold. The Board shall adopt guidelines on the number of directorships that its members can hold in other corporations or entities. The optimum number shall take into consideration the capacity of a Director to diligently and efficiently perform his duties and responsibilities as a Director of the Company. The CEO and other executive directors may be covered by a lower indicative limit. Independent or non-executive Directors who at the same time serve as full-time executives in other corporations may be subject to a similar limit. In every case, the capacity to diligently and efficiently perform duties and responsibilities as Directors of the Company shall not be compromised (see Sections 3.2.1 and 3.2.2 of the Manual on Corporate Governance).

(e) Shareholding in the Company[3]

Complete the following table on the members of the Company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel B. Zamora, Jr.	1,994,079	79,509/through PCD Nominee Corp. 645,333,513/through Mantra Resources Corporation	25.58%

[3] As of December 31, 2014.

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Gerard H. Brimo	3,478,125	871,500/through PCD Nominee Corp.	00.17%
Martin Antonio G. Zamora	127	329,375/through PCD Nominee Corp.	00.01%
Philip T. Ang	538,908	48,992/through PCD Nominee Corp. 338,910,461/through Ni Capital Corporation	13.42%
Luis J. Virata	0	323,613,047/ PCD Nominee Corp.	12.80%
Fulgencio S. Factoran Jr.	281	0	00.00%
Frederick Y. Dy	281	0	00.00%
Takanori Fujimura	375	0	00.00%
Takeshi Kubota	375	0	00.00%
TOTAL	**6,012,551**	**1,309,186,397**	**51.97%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Manuel B. Zamora, Jr.
CEO/President	Gerard H. Brimo

The Company's Chairman and Chief Executive Officer ("CEO") are held separately by unrelated individuals.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

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

	CHAIRMAN	CHIEF EXECUTIVE OFFICER
Role	The Chairman is responsible for leadership of the Board. He ensures effective operation of the Board and its committees in conformity with the highest standards of corporate governance. He sets the style and tone of Board discussions to promote constructive debate and effective decision making. Maintaining qualitative and timely lines of communication and information between the Board and Management. (see Section 3.3.3 of the Revised Manual	The President and CEO provide the leadership for Management to develop and implement sound business strategies, plans, budgets and a system of internal controls. Ensures that the overall business and affairs of the Company are managed in a sound and prudent manner and that business risks are identified and properly addressed. As such, he is considered the Chief Risk Officer of the Company. Ensures that operational, financial

	on Corporate Governance).	and internal controls are adequate and effective in order to generate sound and reliable financial and operational information, to maximize the effectiveness and efficiency of operations, to safeguard Company assets and resources, and to comply with all laws, rules, regulations and contracts. Provide general management and administration of the business of the Company.
Accountabilities	He is accountable to the Board and acts as direct liaison between the Board and Management of the Company, through the CEO. He ensures that the Board works effectively and sets an agenda which is focused on strategy, performance and accountability, while taking into consideration recommendations of the Directors, CEO and Management. Together with the other board members, is primarily responsible in fostering the long-term success of the Company, sustaining its competitiveness and profitability, formulating the vision, mission, strategic objectives, policies and procedures to effectively monitor Management's performance (see Section 3.6.1 of the Revised Manual on Corporate Governance).	The President and CEO, with the assistance of the rest of the Company's Management, also has the responsibility to provide the Board with a balanced, understandable and accurate account of the Company's performance, financial condition, results of operations, and prospects, on a regular basis. Maintenance of adequate internal controls and management systems to ensure that material factors are made available to Management and the Board for making informed judgment, effective risk management process ; and maintenance of the highest standards of corporate and social responsibility wherever the Company does business and with all its stakeholders.
Deliverables		Developing and implementing high-level strategies; Making major corporate decisions; Managing the overall operations and resources of the company; and Acting as the main point of communication between the board of directors and the corporate operations. Submit to the Board as soon as possible after each quarter end and to the shareholders at year end the results of operations and financial

		condition of the Company; Report matters which would require Board attention; and Other responsibilities that the Board may impose.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Nomination Committee of the Board prepares the succession plan for the CEO and top key management positions which require appointment by the Board. The plan includes assignment of responsibilities to all parties involved in the process, identifying triggers for the succession plan to commence, development of selection criteria for internal and external candidates, assessment methods for the candidates, defining the roles, duties and responsibilities of the position under consideration, deciding how visible to make the process, and inclusion of an emergency succession plan. In developing the selection criteria, the Committee shall consider the following factors:

a) Level of knowledge of the Company's business;
b) Alignment of the candidate's experience with the long-term strategic goals and the potential of it enhancing the economic value of the Company;
c) Potential to assume greater responsibility in the organization;
d) Ability, integrity and expertise; and
e) Ability to bring fresh perspective to the Company.

The Board approves the succession plans for the CEO/President and the top key management positions based on the recommendations of the Nomination Committee and other factors that the Board may deem proper and relevant.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

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.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. 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.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

As provided under Section 3.6.3 of the Company's Manual on Corporate Governance, all directors shall act in the best interest of the Company characterized by transparency, accountability and fairness, and shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.

Directors shall observe the following norms of conduct:

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

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the definition of "independence" under the Securities Regulations Code.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

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.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Ronaldo B. Zamora	Director	30 July 2013	Election as the Representative of the City of San Juan to the Philippine Congress and designation as House Minority Floor Leader.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		

(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	Please see explanation below	Please see explanation below
(ii) Non-Executive Directors		
(iii) Independent Directors		

The members of the Board of Directors are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nomination Committee and send to the shareholders through the notice of meeting. A majority vote of the stockholders is required for the election of a director. In addition to the qualification for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board shall provide for additional qualifications that include, among others, 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. (Section 3.4 of the Manual on Corporate Governance)

Any member of the Board of Directors 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 Company for this purpose. Directors may be removed through a regular or special meeting called for such purpose notices of 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 that purpose. The directors elected to fill the vacancy shall serve only the unexpired term of his predecessor.

Disqualification of Directors is provided under 3.5 of the Manual on Corporate Governance.

The following shall be permanently disqualified to be a Director of the Company:

a) A person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) A person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or a court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi- bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in (a) and (b) above or willfully violating the laws that govern securities and banking activities.

c) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission (SEC) or the Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

d) A person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

e) A person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or BSP, or any of its rules, regulations or orders;

f) A person earlier elected as independent director who becomes an officer, employee or consultant of the Company;

g) A person judicially declared as insolvent;

h) A person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

i) A person convicted by final judgment of an offence punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

j) The Board shall provide for the temporary disqualification of a director for any of the following reasons:

k) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

l) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

m) Dismissal or termination for cause as director of any corporation covered by the Governance Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

n) If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

o) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

In the case of the independent directors, the Nomination Committee shall further review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Manual of Corporate Governance, the Securities Regulation Code, and the SRC Implementing Rules and Regulations.

Voting Result of the last Annual General Meeting (based on Form 17-C dated June 6, 2014)

Name of Director	Votes Received
Manuel B. Zamora, Jr.	2,707,303,768 (83.41%)
Gerard H. Brimo	2,708,022,194 (83.43%)
Martin Antonio G. Zamora	2,682,219,721 (82.64%)
Philip T. Ang	2,708,022,194 (83.43%)
Luis L. J. Virata	2,708,022,194 (83.43%)
Takanori Fujimura	2,707,353,768 (83.41%)
Takeshi Kubota	2,707,353,768 (83.41%)
Fulgencio S. Factoran, Jr. (Independent)	2,745,525,878 (84.59%)
Frederick Y. Dy (Independent)	2,745,525,878 (84.59%)

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

Prior to assuming office, all new Directors and Officers shall undergo orientation program on the Company's business and corporate structure, its vision, mission and corporate strategy, the By-laws and Manual of Corporate Governance, and other relevant matters essential for the effective performance of their duties and responsibilities.

The Corporate Secretary briefs each new director of the By-laws and Revised Manual of Corporate Governance, the schedule of regular meetings of the Board and Board committees, their rights, including access to information and advice, and the procedure and processes for the provision of information to them.

The Chief Executive Officer and the Chief Finance Officer give each new director a briefing of existing and planned investments, current strategic directions, budgets and internal controls and processes.

Prior to assuming office, each director is required to attend a seminar on corporate governance conducted by a duly recognized private or government institution.

(b) State any in-house training and external courses attended by Directors and Senior Management[4] for the past three (3) years:

The Company has organized two corporate governance sessions in 2014 and has invited experts to share their insights and interact with the Company's Board and senior management.

Attendees	Program	Date	Training Provider
Board members	Corporate governance	03 September 2014	SGV, Leo Matignas
Officers, middle management	Corporate governance	23 May 2014	SGV, Leo Matignas

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Martin Antonio G. Zamora	2014-2016	Executive Master in Consulting and Coaching for Change	INSEAD
Frederick Y. Dy	April 2014	Corporate Governance	ROAM, Inc.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The Company's Conflict of Interest Policy is included in its Code of Business Conduct and Ethics (Code) approved by the Board of Directors on May 28, 2014. The Policy on Conflict of Interest ensures that all Directors, Officers and Employees are charged with the duty of loyalty to the corporate interest. Their personal interests should not prevail against the interests of the Company. It is recognized that it is not only conflict of interest but also the appearance of conflict of interest that must be avoided. This means that any activity that may compromise or seem to compromise the integrity of the Company or of any Director, Officer or Employee must be avoided.		

[4] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<table>
<tr>
<td></td>
<td>Directors shall disclose any potential conflict of interest to the Chairman who, in consultation with the Chief Executive Officer (CEO), the Compliance Officer (CO) and as appropriate with legal counsel, shall determine whether there is indeed conflict of interest, in which case there shall be disclosure to the Board and the approval requirements under the Code shall be complied with. Full disclosure of the interest of the Director must be made to the shareholders prior to the meeting, in accordance with applicable rules of the SEC and the Exchange; provided that the contract is fair and reasonable under the circumstances.</td>
<td>An Officer shall disclose a potential conflict of interest to the Board of Directors. Prior authority of the Board must be obtained before an Officer may enter into a contract or transaction involving conflict of interest as defined herein.</td>
<td>Employees who are not Directors or Officers shall disclose any potential conflict of interest to their immediate superior, who shall have the responsibility of consulting the CO and, as appropriate, the CEO regarding the matter. If the finding is that there is conflict of interest, the Employee shall refrain from pursuing the transaction or activity.</td>
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<tr>
<td>(b) Conduct of Business and Fair Dealings</td>
<td colspan="3">The Company’s policies on business and fair dealings are included in the Code and in the supplemental policies to the Code relating to Procurement Governance: Suppliers and Purchasing, and Insider Trading. Under the policies, the Company shall maintain standards of transparency, probity, ethics and integrity; shall maximize value for money and ensure quality goods and services; shall ensure accountability, consistency and alignment in procurement practices across its various entities and business units; shall commit to fair and effective competition, innovation and continuous improvement; identify sustainable and socially responsible procurement solutions; and provide efficient processes, flexibility and support to the organization and its suppliers.

The Policy on Insider Trading provides the general guidelines and disclosure requirements on dealings of corporate insiders in shares of stocks. This policy requires all those considered as corporate insiders to report their dealings in company shares within the prescribed reporting period from the date of transaction.
Corporate insiders when in possession of material non-pubic information with respect to the Company or its securities, , shall not trade in, or buy and/or sell, shares of stock and other securities of the Company.</td>
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<tr>
<td>(c) Receipt of gifts from third parties</td>
<td colspan="3">The Company’s policy on gifts, hospitality and sponsored travel is included in its Code. As a general rule, Directors, Officers or Employees, as well as Consultants shall not accept, directly or indirectly, gifts, hospitality or sponsored travel from suppliers and other parties with whom the Company has business dealings, except if the value of such gifts or hospitality is a token amount, as periodically determined by Management from time to time, or such sponsored travel is of a technical or business nature. Likewise, Directors, Officers or Employees, as well as Consultants shall not provide, directly or indirectly, gifts, hospitality or sponsored travel to any person in order to improperly influence or induce such person to give its business or benefits to the Company, its Directors, Officers, Employees and Consultants.</td>
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</table>

(d) Compliance with Laws & Regulations	Under the Code, all directors, officers and employees are expected to: a) Comply with all laws, regulations and standards applicable to the Company's business activities in all communities where it operates. b) Be aware of, and comply with, international accepted standards that are applicable to any or all aspects of the Company's business, such as financial reporting standards, environment, health, safety and technical standards relevant to the Company's operations, and disclosure and transparency. c) Avoid any unlawful act including inducing or using third parties to circumvent laws, rules, and regulations. d) Avoid any conduct that may create the impression of unlawful or unethical conduct. Whenever there is any doubt on the legality of a matter, consult with the Company's Legal or Compliance Officer.
(e) Respect for Trade Secrets/Use of Non-public Information	Under the Code, Directors, Officers and Employees are required to maintain the confidentiality of information entrusted to them by the Company, its subsidiaries, affiliates, customers, business partners, stakeholders and persons or entities with whom the Company has business dealings, except when disclosure is mandated under relevant statutory and regulatory requirements. Confidential information includes non-public information that if improperly disclosed may cause harm to the Company, its subsidiaries and affiliates, customers, business partners and stakeholders.
(f) Use of Company Funds, Assets and Information	Also under the Code, all Directors, Officers, and Employees are to ensure the accuracy and completeness of business records. Business records include not only financial accounts but also production data and reports, ore resource and reserves data, operational reports, reports to regulatory agencies, expense and reimbursements reports, time records, and other such reports. In addition, the Directors, Officers and Employees are required to protect Company assets, and use those assets as intended and not for personal benefit or the benefit of anyone other than the Company. They are also required to safeguard the Company's non-public information including contracts, marketing plans, employee information and others.
(g) Employment & Labor Laws & Policies	Directors, Officers and Employees must comply with employment and labor laws and policies in all their dealings with Officers and Employees of the Company.
(h) Disciplinary action	Disciplinary action on erring Directors is based on the Corporation Code, including disqualification. The Company's revised Manual on Corporate Governance include provisions for disqualification of Directors. The operating companies in the Group have a Code of Discipline that is being referred in determining the required disciplinary action of an erring employee.
(i) Whistle Blower	The Whistle Blowing Policy is included in the Code and provides a system intended to assist those who believe they have discovered impropriety or fraud or offenses covered by the existing Code or other corporate governance rules of the Company. In those instances, the Employee should impose upon himself the duty to disclose such matters to his immediate superior. When the immediate superior does not act, or may himself be involved, the employee may avail of this Policy and the protection it affords.
(j) Conflict Resolution	The Board and Management must work towards a fair and amicable resolution of all disputes.

Consultants retained by the Company shall be informed of, and shall be required to commit to compliance with the Code.

The Code pertaining to Insider Trading contains provisions that apply to relatives, defined as the spouse, children, and other relatives within the second degree of consanguinity or affinity (“Relative”) of a Director, Officer, Employee or Consultant. They shall ensure and be responsible for compliance by their Relatives with the provisions of this Code.

All new employees must sign an acknowledgement form confirming that they have read the Code and agree to abide by its provisions. All Officers and Employees will be required to make similar acknowledgements on a periodic basis.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

The Company adopted the Code of Business Conduct and Ethics on May 28, 2014 upon approval of the Code by the Board of Directors, followed by the CEO message on the official roll-out of the Code to all Directors, Officers, and employees of the Company and its subsidiaries. A series of roll-out sessions were conducted by the Corporate Governance Officer and the Internal Auditor to all employees of the Company and to the managers and supervisors of the subsidiaries. The cascading of the Code to the rank and file employees of the subsidiaries was handled by the Human Resource team of the subsidiary. An electronic copy of the Code is maintained in the intranet of the Company for easy access by all employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

All new employees must sign an acknowledgement form confirming that they have read the Code and agree to abide by its provisions. All Officers and Employees are required to make similar acknowledgements on a periodic basis. The responsibility for administering the Code rests with the Corporate Governance Officer, with oversight by the Audit and Risk Committee of the Board of Directors. The whistle blowing policy provides guidance on reporting potential violation of the Code, investigation, and protection against retaliation.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

<table>
<tr><th>Related Party Transactions</th><th>Policies and Procedures</th></tr>
<tr><td>(1) Parent Company</td><td rowspan="8">The policy on related party transactions ensures that material transactions between the Company or any of its subsidiaries and a Related Party shall be subject to review and approval by the Board to assure that they are at arms-length, the terms and conditions are fair and will redound to the best interest of the Company, its subsidiaries and shareholders. Related party transactions shall be disclosed in the Company’s financial reports and its annual report to shareholders. Immediate disclosure under the rules of the Securities and Exchange Commission and the Philippine Stock Exchange shall be subject to materiality and significance of the transaction.</td></tr>
<tr><td>(2) Joint Ventures</td></tr>
<tr><td>(3) Subsidiaries</td></tr>
<tr><td>(4) Entities Under Common Control</td></tr>
<tr><td>(5) Substantial Stockholders</td></tr>
<tr><td>(6) Officers including spouse/children/siblings/parents</td></tr>
<tr><td>(7) Directors including spouse/children/siblings/parents</td></tr>
<tr><td>(8) Interlocking director relationship of Board of Directors</td></tr>
</table>

(b) Conflict of Interest

(1) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	see explanation below

All transactions with related parties are transacted at prevailing market prices.

Nickel Ore Sale Agreements with PAMCO
CMC and TMC supply saprolite ore to PAMCO. 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). Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per per wet metric ton of ore. PAMCO shall pay the Group eighty-five percent (85%) to 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 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 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 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.

Stockholder Agreements

THNC

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, SMM, which also owns sixty-two and a half percent (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 one percent (1%) of THNC's outstanding loans obligation.

CBNC

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 fifty-four percent (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 one percent (1%) of CBNC's outstanding loans obligation.

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 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.

Lease Agreement with Manta Equities Inc. (MEI)

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.

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 is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties.

Loan Agreement with Emerging Power Inc. (EPI)
On August 22, 2014, the Company and EPI executed a loan agreement amounting to P551.0 million which is to be drawn in two (2) tranches. The first and second tranche of the loan is P105.0 million and P446.0 million, respectively, with an interest rate of 2% p. a. The Company may convert the entire second tranche loan into the shares of stock of EPI constituting fifty-five percent (55%) of the total issued and outstanding shares of EPI at any time before the lapse of three hundred sixty five (365) days after the second tranche drawdown. To secure the loan, EPI pledge its shares of stock in Occidental Mindoro Consolidated Power Corporation (OMCP) constituting one hundred percent (100%) of OMCP's issued and outstanding shares (based on Form 17-C filed on August 8, 2014).

b. Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Please see explanation below
Group	

Under the Company's Code of Business Conduct and Ethics, Directors, Officers and Employees are charged with the duty of loyalty to the corporate interest. Their personal interests should never prevail against the interests of the Company. It is not only conflict of interest but also the appearance of conflict of interest that must be avoided. Any activity that may compromise or seem to compromise the integrity of the Company or of any Director, Officer or Employee must be avoided.

A. Disclosure

Conflict of interest situations and circumstances should be promptly and fully disclosed and discussed as provided in this Code. Directors and Officers are enjoined to abstain from participating in any action, transaction, discussion, evaluation, or decision involving such conflict of interest.

1. Directors

Directors shall disclose any potential conflict of interest to the Chairman who, in consultation with the CEO, the Compliance Officer (CO) and as appropriate with legal counsel, shall determine whether there is indeed conflict of interest, in which case there shall be disclosure to the Board and the approval requirements under the Code shall be complied with. In the event the Chairman after due consultation finds that there is no conflict, the matter shall nevertheless be disclosed to the Board.

Directors shall abstain from participating in the discussions of the Board regarding matters in which they are in a conflict of interest situation and shall not vote thereon, in accordance with the Policy.

2. Officers

Officers shall disclose any potential conflict of interest to the CEO who, in consultation with the Chairman, the CO and as appropriate with legal counsel shall determine whether there is indeed a conflict of interest. In the event after due consultation the CEO finds that there is indeed a conflict of interest, the Officer shall refrain from pursuing the transaction or activity; provided that if such is deemed beneficial to the interests of the Company, the transaction may be pursued subject to full disclosure to and approval by the Board of Directors. In such situation, the CEO and the CO shall ensure that the interests of the

Company and its subsidiaries are duly protected.

3. Employees who are not Directors or Officers

Employees who are not Directors or Officers shall disclose any potential conflict of interest to their immediate superior, who shall have the responsibility of consulting the CO and, as appropriate, the CEO regarding the matter. If the finding is that there is conflict of interest, the Employee shall refrain from pursuing the transaction or activity.

Approval

1. Directors

   a) Any potential conflict of interest involving a Director shall be disclosed to the Board and shall require Board approval.

   b) When the matter is submitted to the Board for approval, the presence of the Director concerned must not be necessary to constitute a quorum and the Director's vote must not be necessary to obtain Board approval.

   c) Where these conditions are not met, a contract or transaction where a Director has an interest may be ratified by shareholders representing at least 2/3 of the outstanding capital stock at a meeting of stockholders duly called. Full disclosure of the interest of the Director must be made to the shareholders prior to the meeting, in accordance with applicable rules of the SEC and the Exchange; provided that the contract is fair and reasonable under the circumstances.

2. Officers

Approval of an act or transaction involving conflict of interest of an officer shall be in accordance with the Code. An Officer shall disclose a potential conflict of interest to the Board of Directors. Prior authority of the Board must be obtained before an Officer may enter into a contract or transaction involving conflict of interest as defined herein.

C. Recording

The Compliance Officer shall be informed of all reported instances of potential conflict of interest and shall keep a record thereof, without prejudice to the keeping of records and monitoring by the appropriate or responsible Officers or departments, including but not limited to Finance and Internal Audit.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[5] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Manuel B. Zamora Jr.	Family	Father of director Martin Antonio G. Zamora
Martin Antonio G. Zamora	Family	Son of director Manuel B. Zamora, Jr.

[5] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None.		

Indicate any shareholder agreements that may impact on the control, ownership and strategic strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Sumitomo Metal Mining Co. Ltd.		See description below

<u>THNC Stockholder's Agreement</u>
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, 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 loan obligation.

<u>CBNC Stockholder Agreement</u>
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 loan obligation.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	Stockholder concerns are coursed through the Investor Relations Officer who is tasked to implement investor relations programs that reach out to all stockholders.

	Alternative Dispute Resolution System
Corporation & Third Parties	Through the Company's Purchasing group, the Community Relations Officers of each operating mine.
Corporation & Regulatory Authorities	In accordance with the resolution mechanism of the regulatory agency.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Company's Board has a pre-determined schedule of meetings at the beginning of each calendar year. As necessary, attendance at the Board meetings may be through electronic medium or telecommunications.

2) Attendance of Directors

Board	`	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel B. Zamora, Jr.	06 June 2014	4	4	100%
Member	Philip T. Ang	06 June 2014	4	4	100%
Member	Luis L.J. Virata	06 June 2014	4	3	75%
Member	Gerard H. Brimo	06 June 2014	4	4	100%
Member	Martin Antonio G. Zamora	06 June 2014	4	4	100%
Member	Takanori Fujimura	06 June 2014	4	4	100%
Member	Takeshji Kubota	06 June 2014	4	4	100%
Independent	Frederick Y. Dy	06 June 2014	4	4	100%
Independent	Fulgencio S. Factoran, Jr.	06 June 2014	4	4	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

During the Board meetings, executive directors, particularly the CEO, was requested to step out for the non-executive directors to discuss some matters without the presence of any executive.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A majority of the Board of Directors may decide as provided in the corporation's By-laws.

5) Access to Information

(a) How many days in advance are board papers[6] for board of directors meetings provided to the board?

At least a week prior to the meeting but the directors may request for a copy anytime.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

[6] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

As provided in the Company's By-laws, the Secretary shall have the following powers and duties:

(1) Record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;
(2) Keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation's subscribed, issued and transferred;
(3) Keep the corporate seal and affix it to all papers and documents requiring a sea, and to attest by his signature all corporate documents requiring the same;
(4) Attend to the giving and serving of all notices of the corporation required by law or the company's by-laws;
(5) Certify to such corporate acts, countersign corporate documents or certificates, and make reports of statements as may be required of him by law or by government rules and regulations;
(6) Act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election or vote;
(7) Perform such other duties as are incident to his/her office or as may be assigned to him/her by the Board of Directors or the President.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X]   No [ ]

Committee	Details of the procedures
Audit and Risk	Copy of the meeting materials are provided to the committee members few days before the meeting. Directors have full access to Management and the Corporate Secretary should they require other information or request for a separate discussion prior to the committee meetings.
Nomination	Copy of the meeting materials are provided to the committee members few days before the meeting. Directors have full access to Management and the Corporate Secretary should they require other information or request for a separate discussion prior to the committee meetings.
Remuneration (Compensation)	Copy of the meeting materials are provided to the committee members few days before the meeting. Directors have full access to Management and the Corporate Secretary should they require other information or request for a separate discussion prior to the committee meetings.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Directors, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense (Section 4.4 of the Manual on Corporate Governance).	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
On March 27, 2015, the Board approved the following corporate governance policies: a. Period for payment of cash dividend b. Policy in furtherance of effective participation of shareholders at shareholders' meetings and the exercise of the right to vote c. Policy on Related Party Transactions d. Policy on appointment of independent 3rd party to evaluate fairness of transaction price where Company is offeree in a merger or acquisition transaction requiring shareholders' approval that will result in a takeover or change of control of the Company	• Formalizes into a policy practices for stockholders' meeting that are already been done by NAC • Follows definitions under Philippine Accounting Standards, which NAC already complies with • Definition of material RPT • Review of material RPT by independent directors, for endorsement to BOD • Charter of the Compensation (Remuneration) Committee • Charter of the Nominations Committee	For improved corporate governance

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Board determines the remuneration of the CEO and of the officers of Management.	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Executive Directors are given salaries by the Company as its employees while the Non-executive Directors are given per diems based on their attendance of the meetings.		
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

No.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration			
(b) Variable Remuneration			
(c) Per diem Allowance	353,872	184,848	1,672,222
(d) Bonuses			
(e) Stock Options and/or other financial instruments	99,408,594	4,497,997	-
(f) Others (Specify)			
Total	99,762,466	4,682,845	1,672,222

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan	6,200,000	-	-
(h) Others (Specify)			
Total	6,200,000	-	-

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Manuel B. Zamora, Jr.	Please see explanation in Item 3 above			
Philip T. Ang				
Gerard H. Brimo				
Martin Antonio G. Zamora				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

No amendment to any incentive program was introduced. A second round of the Employee Stock Option Plan was however approved by the stockholders during the June 6, 2014 meeting.

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Emmanuel L. Samson/CFO/SVP for Finance	Php36,708,805.50
Jose S. Saret/COO/SVP for Operations	
Raymundo G. Ferrer/SVP for Administration and Security	
Rolando R. Cruz/Vice President for Operations	
Jose Roderick F. Fernando/Vice President for Legal and Human Resources	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit and Risk	1	1	1	Please see Annex A.1	Please see explanation below		
Nomination	1	1	1	Please see Annex A.2	Please see explanation below		
Remuneration (Compensation)	2		1	Please see Annex A.3	Please see explanation below		

As provided in the Company's Manual on Corporate Governance, the following are the duties and functions of:

<u>Audit and Risk Committee</u>

a) Assist the Board in the performance of its oversight responsibility or the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
b) 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;
c) 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;

d) 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;
e) 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;
f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
h) Review the reports submitted by the internal and external auditors;
i) 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.
j) Coordinate, monitor and facilitate compliance with laws, rules and regulations:
k) 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 threat to independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report;
l) 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.

Nomination Committee

(a) 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 requirement appointment by the Board.
(b) Assess the effectiveness of the Board's process and procedures in the election or replacement of directors.

Remuneration (Compensation) Committee

The duty of the Remuneration (Compensation Committee) is to establish a 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.

2) Committee Members

(a) Audit and Risk Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Frederick Dy	06 June 2014	4	4	100%	4
Member (ED)	Gerard H. Brimo	06 June 2014	4	4	100%	4
Member (NED)	Takanori Fujimura	06 June 2014	4	4	100%	4

Disclose the profile or qualifications of the Audit Committee members.

The following are the members of the Audit and Risk Committee:

Frederick Y. Dy (60 years old, Filipino) is an independent director of the Company since September 24, 2010. Mr. Dy is also the Chairman and a director of Security Bank Corporation, Chairman of City Industrial Corporation, Chairman of St. Luke's Medical Center and a director of Ponderosa Leather Goods Company, Inc.

Gerard H. Brimo (63 years old, Filipino) is a director and the President and Chief Executive Officer of the Company since August 2009 and the President of RTN, TMC, Cagdianao Mining Corp. (CMC) and Hinatuan Mining Corp. (HMC). 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 said 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.

Takanori Fujimura (71 years old, Japanese) is a director of the Company since 2010. Mr. Fujimura is also the President of Coral Bay Nickel Corporation.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit and Risk Committee performs oversight functions over the Company's external auditors which includes the responsibility for recommendation on the appointment, re-appointment and removal of the external auditor. It shall ensure that the internal and external auditors act independently from each other, and that the external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions. Prior to the commencement of audit work, the Committee discusses 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. The Committee reviews the reports submitted by the external auditors and evaluates and determines the non-audit work, if any, and reviews 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 threat to independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report.

(b) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Manuel B. Zamora, Jr.	06 June 2014	1	1	100%	4
Member (NED)	Takeshi Kubota	06 June 2014	1	1	100%	4
Member (ID)	Fulgencio S. Factoran, Jr.	06 June 2014	1	1	100%	4

(c) Remuneration (Compensation) Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Manuel B. Zamora, Jr.	06 June 2014	2	2	100%	4
Member (ED)	Gerard H. Brimo	06 June 2014	2	2	100%	4
Member (ID)	Frederick Dy	06 June 2014	2	2	100%	4

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Audit and Risk	No changes in the membership of the Committees during the year.	
Nomination	No changes in the membership of the Committees during the year.	
Remuneration (Compensation)	No changes in the membership of the Committees during the year.	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Audit and Risk	Recommendation for Board approval of the Quarterly and Annual financial statements.	No significant issues.
Nomination	Screening of nominees for directorship	No significant issues.
Remuneration (Compensation)	Approval of the compensation packages of Directors and Officers.	No significant issues.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Audit and Risk	Oversight review of financial reporting process, risk management, compliance, internal control system, internal and external auditors	None

Name of Committee	Planned Programs	Issues to be Addressed
Nomination	Review and evaluate the qualifications of all persons nominated to be a director of the Company and of all nominations to positions in the Company requiring appointment by the Board	None
Remuneration (Compensation)	Review the compensation program for the directors and officers to ensure their alignment with the Company's strategy, culture and with the business environment	None

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company:

The Company has adopted a risk philosophy aimed at enhancing shareholder value by adequately managing risks in a cost effective manner, thereby enabling the Company to sustain its competitive advantage and to pursue strategic growth opportunities with greater speed, skills and confidence. To put the philosophy into action, the Board of Directors, through its Audit and Risk Committee, implemented an Enterprise Risk Management (ERM) that shall ensure that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. The Company's ERM is based on the Committee of Sponsoring Organizations of the Treadway Commission-ERM framework. Values and standards of business conduct and ethics are important elements of the internal environment for risk management.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors, through its Audit and Risk Committee, assesses the effectiveness of the Company's ERM, including that of the operating subsidiaries. The Audit and Risk Committee has assessed the ERM of the Company and its operating subsidiaries to be effective in managing risks faced by the Group.

(c) Period covered by the review;

The Audit and Risk Committee has assessed the ERM for the year 2014. Please refer to the Committee's report to the Board of Directors included in the 2014 annual report.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Committee shall assess the ERM at least twice a year based on criteria provided under its charter.

(e) Where no review was conducted during the year, an explanation why not.

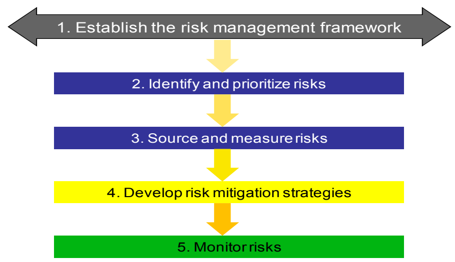
A review was conducted during 2014.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Company and Group Enterprise Risk Management:



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 the 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
Increased resource nationalism calling for the amendments of the Mining Act and greater government share	Work with lawmakers, relevant government agencies, and the Chamber of Mines for open discussion of a fair and equitable sharing that will ensure the industry remains competitive with other global players. Demonstrate transparency of payments of government share through participation in the Philippine EITI.	Dissemination of accurate industry information and statistics and thus manage negative perceptions about the industry.
Volatility of LME price	Review of mining plan and cost drivers.	Cushion the impact of volatile LME price.
Shortage of skilled manpower	Pay for skills and value to the company.	No interruption in operations arising from lack of manpower.
Failure to comply with the conditions in ECC	Full compliance with all regulations.	Demonstrate responsible mining.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Please see discussion under 2(a) above.	Please see discussion under 2(a) above.	Please see discussion under 2(a) above.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

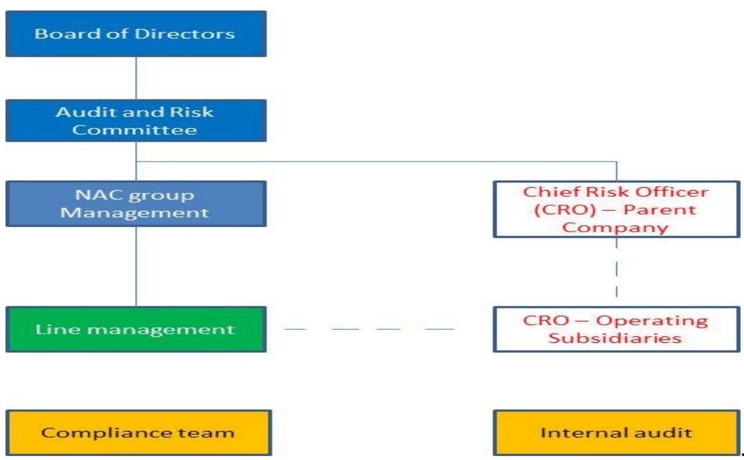
Risk to Minority Shareholders
The minority holders only have common risks of being in the minority. There are no extraordinary risks for them as such.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Management Oversight Structure



The Board of Directors has the responsibility for overseeing risk management within the Company and its operating subsidiaries. Assisting the Board is the Chief Risk Officer (CRO) of the Company, who reports to the Audit and Risk Committee the significant risks and related risk strategies, and the status of the risk management initiatives on a regular basis. The Company CRO is in turn supported by the Finance Officers of each operating subsidiary, who acts as CROs for their respective companies. In this connection, a cross-functional group of personnel with technical, financial, and legal expertise was formed to review compliance with all mining laws and regulations. The Internal Auditor reports to the Audit and Risk Committee the results of the review of the effectiveness of the risk management initiatives adopted by management.

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)
Increased resource nationalism calling for the amendments of the Mining Act and greater government share	High risk (in terms of significance and likelihood)	Active discussion with government teams on what constitutes a fair and equitable sharing arrangement. Actively support the Chamber of Mines programs in formulating and disseminating significant industry positions. Active involvement in Ph-EITI initiatives.
Volatility of LME price	High risk (in terms of significance and likelihood)	Review business plan if this continue to be appropriate with the prevailing prices. Review costs drivers. Review blending plan for optimum product mix.
Shortage of skilled manpower	Moderate risk (moderate significance, high likelihood)	Incorporate skills training in SDMP programs of communities to ensure availability of skills.
Failure to comply with the conditions in ECC	Moderate risk (high significance, low likelihood)	Embed compliance into existing processes. Regular training of personnel involved in operations. Regular review by the parent company compliance team.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Please see discussion below	Please see discussion below	Please see discussion below

The Group adopts the same Risk Management policy and framework, and thus, have the same system for the assessment, management and control of main issues faced by the group. The Group's main business activity is the exploration, development and utilization of mineral resources.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Risk Committee	Oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company.	Review of information provided by Management on risk exposures and risk management activities.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

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 the following 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.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors, through its Audit and Risk Committee, assesses the effectiveness of the Company's internal control system, including that of the operating subsidiaries. The Audit and Risk Committee has assessed the internal control system of the Company and its operating subsidiaries to be effective and adequate.

(c) Period covered by the review;

The Audit and Risk Committee has assessed the internal control system for the year 2014.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit and Risk Committee charter mandates that the Committee performs regular oversight review of the internal control system, including financial reporting control and information technology security. Among the criteria use for the assessment are the level and root causes of deficiencies noted by the auditors, the way management address these matters, and the involvement and focus of personnel involved in these matters, among others.

(e) Where no review was conducted during the year, an explanation why not.

Review was conducted during 2014.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	**Scope**	**Indicate whether In-house or Outsource Internal Audit Function**	**Name of Chief Internal Auditor/Auditing Firm**	**Reporting process**
Please see explanation below	Please see explanation below	In-house	Ma. Angela Villamor	Please see explanation below

The role of the Internal Auditor is to provide independent and objective assurance and consulting activity designed to add value and improve the operations of the Company and its subsidiaries.

The scope of work of Internal Audit is to determine whether the Company and its subsidiaries' network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are properly identified and managed;
- Interaction with the various governance groups occur as needed;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in NAC's control processes; and
- Significant legislative and regulatory issues impacting NAC are recognized and addressed properly.

The Internal Auditor reports administratively to the CEO and functionally to the Audit and Risk Committee. Internal Auditor has free and unrestricted access to the Chairman of the Board, and the Audit and Risk Committee.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. As provided in Section 3.10 of the Manual on Corporate Governance, the Audit and Risk Committee approves the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Auditor reports administratively to the Chief Executive Officer and functionally to the Audit Committee of the Board of Directors. 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 the Internal Auditor in fulfilling his staff function. Internal Auditor has free and unrestricted access to the Chairman of the Board of Directors, and the Audit and Risk Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
None.	N/A

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Internal audit work is on schedule and aligned to plan approved by the Audit and Risk Committee.
Issues[7]	No significant issues.
Findings[8]	No significant findings noted.
Examination Trends	Audit is risk-based. Risks are prioritized in terms of significance and likelihood. Risk assessment is an ongoing activity.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.

[7] "Issues" are compliance matters that arise from adopting different interpretations.
[8] "Findings" are those with concrete basis under the company's policies and rules.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Code of Business Conduct and Ethics	
Policy on Conflict of Interest	Implemented
Policy on Insider Trading	Implemented
Policy on Procurement Governance: Suppliers and Purchasing	Implemented
Policy on Gifts, Hospitality and Sponsored Travel	Implemented
Whistle-blowing Policy	Implemented
Environment Policy	Implemented
Administrative Policies	
Policy on Group Outing	Implemented
Policy on the Wearing of Uniform	Implemented
Policy on Drug-Free Workplace	Implemented
Policy on Child-Labor Free Workplace	Implemented
No Smoking Policy	Implemented
Policy on the Use of Sea craft	Implemented
Policy on Use of Company Accommodation	Implemented
Policy on Punctuality	Implemented
Policy on Early Quitting from Work	Implemented
Policy on Incentive Leave	Implemented
Policy on the Wearing of Company ID	Implemented
Policy on the Wearing of Personal Protective Equipment (PPEs)	Implemented
Policy on the Use of Company Vehicles and Cell Phones	Implemented
Policy on the Use of Bundy Clock	Implemented
Policy on Off-Limits to Non-Occupants of Guesthouse, Senior and Junior Staff houses	Implemented
Policy on Adjustment of Grievance	Implemented
Policy on Suspension of Work Due to Typhoon	Implemented
Policy on No-Strike, No Lock-Out and Work Stoppage During the Duration of the CBA	Implemented
Policy on Use and Maintenance of Heavy Equipment Simulator	Implemented
Policy on Storage and Disposal of Used Canvas Sheet	Implemented
Human Resources and Benefits Administration Policies	
Policy on Employment, Hiring and Personnel Movement	Implemented
Policy on Training and Development	Implemented
Policy on Performance Appraisal, Promotion, Job Classification	Implemented
Policy on Loyalty/Service Award	Implemented
Policy on Severance, Retirement and Death Benefits	Implemented
Policy on Hours of Work, Overtime Pay, Holiday Pay, Night Shift Differential and Premium Pay	Implemented
Policy on vacation leave, sick leave, emergency/special, maternity/paternity leave and filings	Implemented
Policy on medical, group personal accident insurance, supplemental subsidy and other benefits	Implemented

Policies & Procedures	Implementation
Policy on Maintenance of Personnel Records	Implemented
Policy on Fly-In, Fly-Out and Travel Policy	Implemented
Travel Policy	Implemented
Safety Policies	
Policy on Idle Equipment Left Unattended on Haulage Roads	Implemented
Guidelines on Ambulance Use	Implemented
Policy on Housekeeping Audit	Implemented
Policy on Incident Reporting	Implemented
Policy on Orientation of New Employees and Reorientation of Regular Employees	Implemented
Security Policies	
Access Procedure in Campsite and Minesite Area	Implemented
Procedure on Vehicle Entry at TMC Mine Site	Implemented
Procedure on Entry and Exit of Vessel Crew	Implemented
Procedure on the use of ATM Machine	Implemented
Procedure on Document Security	Implemented
Procedure on Deliveries and Receiving of Parcel/Packages	Implemented
Procedure on Use/Issuance of Trip Tickets	Implemented
Evacuation plan	Implemented
Procedure on KEY Control and Issuance	Implemented
Procedure on Inspection of Perimeter Fence	Implemented
Procedure in Intelligence Gathering and Dissemination	Implemented
Procedure on Visitors without Appointment	Implemented
Procedure on Bags Inspection on All Persons using the Pedestrian Gate	Implemented
Operating Procedures and Policies	
Equipment Rental Monitoring	Implemented
COMREL Safety Procedure when Conducting Fieldwork	Implemented
Geology SOP	Implemented
Technical Services Operations Manual	Implemented
Barge/Ship loading Policies	
Stockpile Retrieval	Implemented
Operation Stoppage Due to Rain	Implemented
Policy on LCT Refueling and Re-watering	Implemented
Cargo rejection by the vessel's captain based on can test situational flowchart	Implemented
Insufficient equipment for barge loading due to excess empty LCTs at the beaching area situational flowchart	Implemented
Limonite mining: Insufficient material delivery of direct ore due to inaccessible mining are situational flowchart	Implemented
Limonite mining: Insufficient material delivery of direct ore due to quality problems situational flowchart	Implemented
Mining and Mine Engineering Policies	
Policy on Grade Control	Implemented
Policy on Volume Surveys	Implemented
Policy on Contract Mining	Implemented
Policy on Mine/Stockpile to Barge Truck Sampling	Implemented
Policy on MMD Sizer Material Flow and Beneficiation	Implemented
Policy on Shipment Vessel Nomination and Acceptance	Implemented
Survey Policy	Implemented
Exploration/development/production drilling/sampling Policy	Implemented

Policies & Procedures	Implementation
Assay Policies	
Policy on Equipment Calibration	Implemented
Policy on Determination of Nickel by EDTA Titration	Implemented
Policy on PAMCO Shipment Sampling, Sample Preparation and Moisture Determination	Implemented
Policy on Sample Preparation and Moisture Analysis of Run-of-Mine Ore Production Samples	Implemented
Warehouse Policies	
Policy on Consignment Billing Liquidation and Purchase Order Generation	Implemented
SOP on Purchase Requisition (Order as Required, Emergency on Credit, Stock Replenishment	Implemented
SOP on Receiving/Shipping of Stock Items	Implemented
SOP on Issuance/Storage of Stock Item	Implemented
SOP on Declaration and Disposal of Scrap	Implemented
SOP on Diesel Receiving, Issuances and Transfer	Implemented
Technical Services Policies	
Policy on Equipment Parts Evaluation/Inspection	Implemented
Policy on Corrective and Preventive Maintenance Work Scheduling	Implemented
Policy on Equipment Rehab Program and Evaluation	Implemented
Policy on Phasing out of Units	Implemented
Treasury Policy	Implemented
General Ledger and Financial Reporting Policies	
Financial Consolidation Policy	Implemented
Cash Receipts Policy	Implemented
Cash and Check Disbursements Policy	Implemented
Fixed Assets Policy	Implemented
Inventory Costing and Management	Implemented
Revenue Policy	Implemented
Bank Reconciliation	Implemented
Accruals and Reversals	Implemented
Foreign currency Translations	Implemented
Policy on Intercompany Reconciliation	Implemented
Period-end Closing	Implemented
Policy on Petty Cash	Implemented
Liquidation, Reimbursements, and Cash Advances Policy	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal auditor is considered a corporate insider subject to the policy on insider trading. Internal auditor reports	The Company does not retain financial analysts.	Under the insider trading policy of the Company, consultants and advisors providing financial, tax and legal advisory are	The Company does not engage rating agencies.

functionally to the Audit and Risk Committee and administratively to the Chief Executive Officer. All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. The five (5) rotation of partner-in-charge of the external audit is observed. Audit and Risk Committee approval of non-audit services by the external auditor.		considered corporate insiders and are subject to the rules on insider trading.	

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

a) Chairman of the Board – Manuel B. Zamora, Jr.
b) CEO – Gerard H. Brimo
c) Independent Directors – Frederick Y. Dy and Fulgencio S. Factoran, Jr.

All management members have submitted to the CEO their certificate of compliance covering the year 2014.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	**Activities**
Customers' welfare	Please see explanation below	Please see explanation below
Supplier/contractor selection practice	Please see explanation below	Please see explanation below
Environmentally friendly value-chain	Please see explanation below	Please see explanation below

	Policy	Activities
Community interaction	Please see explanation below	Please see explanation below
Anti-corruption programmes and procedures?	Please see explanation below	Please see explanation below
Safeguarding creditors' rights	Please see explanation below	Please see explanation below

Customers' 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.

Supplier/Contractor Selection Practice

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.

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

Community Interactions

Sustainability Program

We adhere to the principles and practices of sustainable development. We are also committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. Mining is a temporary land use and once mining operations in our sites have ended, we plan to restore these properties to at least as close as possible to their pre-mining condition or to develop alternative productive land uses for the benefit of the surrounding communities.

To manage environmental impacts, the Company's subsidiaries have an Environmental Protection and Enhancement Program (EPEP). This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment.

It is the operational link between the environmental protection and enhancement commitments under CDAO 2010-21, consolidated implementing rules and regulations of RA No. 7942, as well as those stipulated in the Environmental Compliance Certificate (ECC) under P.D. 1586 and the Contractor’s plan of mining operation.

Activities undertaken through our Annual Environmental Protection and Enhancement Program (AEPEP) 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
- Preservation of downstream water quality

The Group also complies with the Environmental Compliance Certificate (ECC) conditions and the performance of commitments through our Annual Environmental Protection and Enhancement Program (AEPEP). This program is monitored and evaluated by the Multipartite Monitoring Team (MMT)- a multi-sector group headed by a representative from the Regional Mines and Geosciences Bureau (MGB) and representatives of local government units (LGUs), other government agencies, non-government organizations, people’s organizations, the church sector and the Company.

Rehabilitation

In line with our commitment to maintain a sustainable environment in its areas of operation and abide by the Philippine Mining Act of 1995, the Company regularly conducts onsite environmental assessment to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within standard set by regulatory agencies.

The process begins with re-contouring, backfilling and leveling the land. After this, the area is covered with top soil and other soil amelioration strategies to provide fertile ground for planting. We follow the "Sequential Planting Method", wherein we first plant fast growing species, then they are provided with a vegetative cover within 12 to 18 months to enable planting of other species. Another successful method used is by utilizing large planting materials which resulted to more than 90% survival and high growth rate.

Creating a biodiversity area with varied species of vegetation including native fruit bearings trees will eventually be a source of food for a variety of wildlife species that will aid in rehabilitating mine affected areas by way of succession and regeneration. The rehabilitation effort is managed by our expert foresters with the help from indigenous peoples (IPs) from the locality, and we have demonstrated that a totally mined out area can be significantly re vegetated in just 12-18 months.

The end result is a sustainably managed forest far better than the stunted vegetation there before, because of the mineralized nature of the soil. For the year 2014, the Company spent a total of
₱550.8 million for EPEP.

As a means of restoring the disturbed areas from mining operations, the Company requires each mine site to create a decommissioning/ closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The four operating subsidiaries have already developed their respective plans for review and approval of the MGB. As of December 31, 2014, the provision allotted for mine rehabilitation and decommissioning amounted to ₱130.2 million.

Mine Rehabilitation is contained in the Mining Act of 1995. It's part of a Sustainable Development. It's part of our Best Practice at our subsidiary, Rio Tuba Nickel Mining Corporation. The work starts by re-contouring, backfilling and leveling the land. Then we provide top soil to deliver a fertile ground for planting. Following the "Sequential Planting Method", we first plant fast growing species called Pioneer Species such as Batino, Acacia mangium, Acacia auriculiformis and others – all grown and nurtured in our nursery. These species provide vegetatiev cover within 3 years to enable the planting of "Climax Species" like Apitong, Ipil, Narra, Almaciga, Agoho, Kamagong and others which we need tree shade to grow. They form the core of the new forest stands. Native fruit-bearing trees are also planted to provide a source of food for wild animals that will eventually populate the forest. To ensure the survival of all these trees we have a forestry team. Composed mostly of indigenous people from the surrounding areas, the team conductsa maintenance program like watering during summer, ringweeding cultivation around seedlings, application of compost and other related activities. The work of the team has achieved a survival rate of 90% for the trees.

The end result is a sustainably manged forest far better that the stunted vegetation there before, because of the mineralized nature of the soil.

Anti-corruption programmes and procedures

The Company's Code of Business Conduct and Ethics contain explicit provisions prohibiting any Officer, Director or employee from conducting any unlawful act including inducing or using third parties to circumvent laws, rules and regulations; and avoiding any conduct that may create the impression of unlawful or unethical conduct. The Code also provides guidelines and assistance in case of doubt as to the legality of any act. Violations to the Code are dealt with in accordingly.

Safeguarding Creditors' Rights

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.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. This is the second year of our Sustainability Report which features in detail the Company's commitment to sustainable development as operationalized by its subsidiaries. We will post in our website a copy of our Sustainability Report for 2014.

Corporate Social Responsibility Initiatives

Social development programs are created and implemented in all the mines. The focus areas of these programs are designed to address needs of communities around the mine sites. These programs are carried out through the Social Development Management Plans (SDMPs) and Corporate Social Responsibility (CSR) activities of the company. The main difference between the two programs is that the SDMP is required by the government, while CSR is voluntary on the part of the Company.

Each of our operating mines manages their social expenditures through its respective SDMPs. These are five-year programs that contain a list of priority projects identified and approved for implementation, in consultation with the host communities. Each mine site has a community relations team that is in charge of identifying and implementing SDMPs, and maintaining strong relationships with communities. Annually, NAC sets aside a budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the programs are monitored, audited and evaluated by the Mines and Geosciences Bureau (MGB).

Our communities and employees are integral parts of our Company. We ensure the protection of their welfare and the improvement of the quality of their lives through our social responsibility programs.

We spent ₱90.1 million for SDMP in 2014.

The Company's CSR Program is anchored on 2 central elements:

1. Community Partnership and Relationship Building
    a. Establishing and maintaining positive relationships with communities by having them as partners for community development and nation building
    b. Partnership building with communities (both social and environmental) – community as essential partners and not as mere beneficiaries
    c. Community serving as the primary protector of the company through strong partnership and relationship
2. Leadership
    a. Top management strongly supports the company's CSR initiatives
    b. Social Investment –going beyond compliance and considering CSR not as an additional cost but as an investment.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

Employee 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.

(b) Show data relating to health, safety and welfare of its employees.

a) We strictly require the utilization of protective equipment and safety devices.
b) First aid and emergency equipment are installed strategically in our work areas.
c) Safety in-house inspections are regularly conducted to identify hazards and unsafe conditions or practices.
d) Managers and supervisors regularly conduct safety briefings and meetings.

e) Safety orientation training is also conducted for new employees and emergency preparedness training and drills are conducted periodically.
f) We have a rigorous system of investigating accidents and near-misses to understand causes and implement corrective measures.
g) 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.
h) 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.

Key safety statistics during 2014 follow:

Number of man-hours worked	20,441,268
Lost-time accidents	5
Frequency rate	0.24

We provide the following health benefits to all our 1,484 regular employees.

Health Insurance (via HMO provider)
Group Life & Personal Accident Insurance
Dental services
Medicine Allowance
Health & wellness programs
Other Benefits
Free hospitalization at RTNFI Hospital
100% Hospitalization subsidy

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.

(c) State the company's training and development programmes for its employees. Show the data.

<u>Training and Development Programs</u>

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.

During 2014, the Company conducted the following training and development programs for its officers and employees:

Name of Training Course	Name of Training Provider	Date	No. of participants (per level)		
			Executive Officer	Manager	Supervisor Rank & file
Paralegal training program	UP College of Law	Jan. 17 to Mar. 26			1
Investor Relations seminar	Phil. Stock Exchange (PSE)	Jan. 20 to 21		1	
Accouting for HR Executives	P&A Grant Thornton	Feb. 20		1	4
Kepner-Tregoe's Problem Solving & Decision Making (PSDM) workshop	Manila Execon Group, Inc.	Mar. 4 to 6	1	9	13
Open Pit Mining Strategies	Trueventus BHD SDN, Ltd.	Mar. 18 to 19	3	4	3
Sustainability Report Writing Workshop	ECC International, Inc.	Mar. 25 to 26	7	17	4
Maintenance Planning & Scheduling	Trueventus BHD SDN, Ltd.	Mar. 25 to 26			3
Fundamentals of Laytime and Demurrage	IBC Asia, Inc.	Mar. 27 to 28			1
HR 101 - 201: Basic to Advanced HR	Powermax Consulting Group, Inc.	May 23			1
Corporate Governance seminar	SGV & Co.	May 23	12	16	1
Kepner-Tregoe's Problem Solving & Decision Making (PSDM) workshop	Manila Execon Group, Inc.	Jun. 25 to 26	1	23	2
MS Excel training (Advanced)	Informatics Institute	Aug. 12 to 22		9	42
Code of Business Conduct & Ethics seminar	NAC Head office	Aug. 13	2	34	4
Code of Business Conduct & Ethics seminar	NAC Head office	Aug. 14	1	17	12
Code of Business Conduct & Ethics seminar	NAC Head office	Aug. 14		15	10
Code of Business Conduct & Ethics seminar	NAC Head office	Aug. 18	1	21	5
8th HR & Training Congress	Ariva Evets Management, Inc.	Aug. 28 to 29		1	2
Budgeting, Rolling Forecasts, and Strategic planning	Centralhub connections	Sept. 11 & 12	1		
Core Values workshop	Catalyst 360° Training & Consultancy	Sept. 30		5	30
Kepner-Tregoe's Problem Solving &	Manila Execon Group, Inc.	Nov. 26 to 28		1	21
Hazard Identification & Risk Assessment	SGS Philippines, Inc.	Nov. 26			9
Sample Collection & Sample Preparation	SGS Philippines, Inc.	Nov. 26			5
Root Cause Analysis & Corrective/Preventive Action	SGS Philippines, Inc.	Nov. 27			8
Draft Survey training course	SGS Philippines, Inc.	Nov. 27- 28			5
Laboratory QA/QC Rules	SGS Philippines, Inc.	Nov. 28			5
Personal Financial Planning	Sun Life Financial	Dec. 4			

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company has an Employee Stock Option Plan to reward Officers and Directors and to link the former's interest to the Company and the stockholders. Employees are given benefits under the collective bargaining agreements which are way and above the standards provided by the Labor code, as amended, and other allied laws.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company's Code of Business Conduct and Ethics contains explicit provisions and guidelines for every officer and employee when faced with issues on legality of an act and behavior. Our whistle-blowing policy includes detailed procedures related to raising complaints on possible violations of the Code, investigations, protection against retaliations, monitoring and recording of complaints.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corp (Filipino)	1,764,886,486	69.74%	Public
Sumitomo Metal Mining Philippine Holdings Corp.	481,552,642 123,375,900 (indirect through PCD Nominee Corp.)	19.03% 4.87%	None
PCD Nominee Corp. (Foreign)	270,259,929	10.68%	Public

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel B. Zamora, Jr.	1,994,079	79,509/PCD Nominee Corporation 645,333,513/through Mantra Resources Corp.	25.58%
Philip T. Ang	538,908	48,992/through PCD Nominee Corporation 338,910,461/through Ni Capital Corporation	13.42%
Luis J. L. Virata	0	323,613,047/through PCD Nominee Corporation	12.79%
TOTAL	**1,876,887**	**1,307,985,522**	**51.79%**

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	Php10,506,033	Php1,877,630

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Company uses written communication in disseminating information to its shareholders. It also discloses certain matters for the benefit of the shareholders through the Philippine Stock Exchange website.

5) Date of release of audited financial report: March 27, 2015

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT (In Thousands)

RPT	Relationship	Nature	2014	2013
Pacific Metals Co., Ltd.	Stockholder	Sale of ore and services	Php4,120,959	Php1,269,780
		Draft survey fee	630	295
		Despatch income	6,419	4,447
		Other service fee	262	-
Sumitomo Metal Mining Co., Ltd.	Stockholder	Sale of ore	879,528	192,701
		Guarantee service fee	134,220	103,351
		Short-term advances	-	1,783
Nickel Asia Holdings Inc.	Stockholder	Short-term advances	21	100
Manta Equities Inc.	With Common Stockholders	Rentals, dues and utilities	25,639	14,190
		Rental deposits	9,350	9,842

RPT	Relationship	Nature	2014	2013
		Short-term advances	64	1,147
Emerging Power Inc.	With Common Stockholders	Notes receivable	276,342	-
Taganito HPAL Nickel Corporation	Associate	Sale of ore	1,434,220	237,071
		Rendering of service	130,310	125,003
		Materials handling	267,504	124,523
		Rental income	6,703	6,703
		Rental deposit	-	3,352
		Rendering of other service	2,053	-
		Short-term advances	21,621	22,175
Coral Bay Nickel Corporation	Associate	Sale of ore and services	2,087,569	1,744,600
		Infralease and throughput	47,829	52,455
		Other income	60,698	8,846
		Short-term advances	-	625

Refer to Note 31 of the 2014 Notes to Consolidated Financial Statements.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Board reviews significant related party transactions to determine whether they are in the best interests of the Company and the terms and conditions are fair and reasonable.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the Outstanding Capital Stock

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Please see explanation below
Description	

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.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

The Stockholders have not been given any rights different from those provided under the Corporation Code.

Dividends

Type of Dividend	Declaration Date	Record Date	Payment Date
Cash	March 28, 2012	April 16, 2012	May 11, 2012
Stock	June 8, 2012	August 29, 2012	September 24, 2012
Cash	April 5, 2013	April 22, 2013	May 14, 2013
Stock	June 3, 2013	June 18, 2013	July 12, 2013
Cash*	March 24, 2014	April 10, 2014	May 8, 2014
Special Cash*	November 10, 2014	November 24, 2014	December 10, 2014
Stock	November 10, 2014	January 12, 2015	January 28, 2015

*Based on Form 17-C filed on March 24, 2014
** Based on Form 17-C filed on November 10, 2014

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Please see explanation below	

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.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company follows the provisions of the Corporation code in the voting requirement for the approval by the shareholders of the abovementioned corporate acts.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

   The Company sends timely notice of meetings to shareholders. Notice stating the date, time and place of the annual meeting are announced at least thirty (30) days prior to the scheduled annual meeting.

   a. Date of sending out notices: 09 May 2014

   b. Date of the Annual 06 June 2014
      Special Stockholders' Meeting 18 December 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   No significant questions were asked by the shareholders during the meeting.

5. Result of Annual General Meeting's Resolutions

   The Company's 2014 Annual General Meeting was held on 06 June 2014 with the following results:

Resolution	Approving	Dissenting	Abstaining
Approval of Minutes of 3 June 2013 Annual General Meeting	2,745,532,878	0	0
Approval of Annual Report and Audited Financial Statements for the Year Ended 31 December 2013	2,745,532,878	0	0
Approval of Stock Option Plan	2,676,128,358	69,395,520	0
Amendment of Articles of Incorporation to change principal place of business (compliance with SEC Memo Circular No. 3, series of 2008)	2,745,523,878	0	0
Ratification of acts of the Board of Directors and Executive Officers	2,745,523,878	0	0
Appointment of External Auditor (Sycip Gorres Velayo & Co.)	2,745,523,878	0	0

Results of Special Stockholder's Meeting

A Special Stockholders' Meeting was held on 18 December 2014 with the following results:

Resolution	Approving	Dissenting	Abstaining
Approval of Minutes of Declaration of 50% Stock Dividend	80.64%	0.00%	0.61%

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

   06 June 2014

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

<table>
<tr><th>Type of Meeting</th><th>Names of Board members / Officers present</th><th>Date of Meeting</th><th>Voting Procedure (by poll, show of hands, etc.)</th><th>% of SH Attending in Person</th><th>% of SH in Proxy</th><th>Total % of SH attendance</th></tr>
<tr><td>Annual</td><td rowspan="2">1. Manuel B. Zamora, Jr. - Chairman
2. Philip T. Ang – Vice Chairman
3. Luis L. J. Virata – Director
4. Gerard H. Brimo – Director, President and CEO
5. Martin Antonio G. Zamora – Director, SVP – Marketing and Strategic Planning
6. Takanori Fujimura – Director
7. Takeshi Kubota – Director
8. Fulgencio S. Factoran, Jr. – Independent Director
9. Frederick Y. Dy – Independent Director
10. Barbara Anne C. Migallos – Corporate Secretary
11. Emmanuel L. Samson – SVP-Finance, CFO
12. Raymundo B. Ferrer – SVP – Security and Administration
13. Jose S. Saret – SVP-Operations, COO
14. Rolando R. Cruz – VP Operations
15. Jose Roderick F. Fernando – VP Legal and Human Resources
16. Jose Bayani D. Baylon – VP Corporate Communications
17. Koichi Ishihara – VP Marketing and Purchasing
18. Ma. Angela G. Villamor – VP Internal Audit</td><td>06 June 2014</td><td rowspan="2">(Explain voting procedure in detail)</td><td>10.20%</td><td>74.39%</td><td>84.59%</td></tr>
<tr><td>Special</td><td>18 December 2014</td><td>10.16%</td><td>71.03%</td><td>81.19%</td></tr>
</table>

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. The Company retains the services of Stock Transfer Service, Inc. for this purpose.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, the Company's common shares carry one vote per share. The Company's preferred shares have the same voting rights as those of the common shares.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	As provided under the Company'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.
Notary	
Submission of Proxy	
Several Proxies	
Validity of Proxy	
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	

As provided under the Company'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.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**
Please see explanation below	

Notices for regular or special meetings of shareholders may be sent by the Secretary by personal delivery or 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 might have been transacted on the original date of the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	50
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	16 May 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	16 May 2014
State whether CD format or hard copies were distributed	Hard copies of the notices were distributed with the Definitive Information Statements and the Audited Consolidated Financial Statements in CD Format.
If yes, indicate whether requesting stockholders were provided hardcopies	Yes, requesting stockholders were provided hardcopies.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Minority stockholders receive the same treatment as the majority stockholders and as provided under the law.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Under the Company's by-laws all shareholders, regardless of the number of shareholdings, have the right to nominate candidates for the Board.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

   The Company is committed to making timely, full and accurate disclosures and distributing other corporate communication materials in accordance with the disclosure rules of the Philippine Stock Exchange.

   External and internal communications are handled by the Corporate Communications, Legal, and Investor Relations units. Major company announcements are reviewed and approved by the VP-Corporate Communications, VP-Legal, SVP-Strategic Planning, the Chief Financial Officer, and the President and Chief Executive Officer.

   The policy is subject to regular review by senior management and the Board of Directors to ensure its effectiveness. Updates and amendments (as appropriate) will be made to reflect current best practices in our communication with the investment community.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To make timely, full and accurate disclosures and distributing other corporate communication materials in accordance with the disclosure rules of the Philippine Stock Exchange.
(2) Principles	The Company is committed to upholding the integrity of the capital markets by making timely, full and accurate disclosures, and allowing equitable access to information in terms of timing and content among market participants through the various modes of communications.
(3) Modes of Communications	The Company actively engages the investment community via: 1. Annual General Meeting and Special Shareholders Meeting if necessary; 2. Quarterly results are posted on the Company's corporate website; 3. One-on-one/group meetings or conference calls, investor luncheons, local/overseas roadshows and conferences; 4. Mine site and plant visits; 5. Annual reports; 6. News releases and statements.
(4) Investors Relations Officer	Mr. Emmanuel L. Samson Tel. +632 7987622 Fax +632 892 5344 Email manny.samson@nickelasia.com

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

   Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Company's Rules and Procedures for Mergers and Acquisitions:

1) Senior Management assesses a potential transaction in the context of strategic goals of the Company and the group;
2) After pre-clearing the potential transaction with the Chairman, a more detailed due diligence procedure is conducted. A project team composed of members from operations, technical, financial, legal, internal audit, etc.) is formed, and external advisors (legal, accredited appraiser/valuator, tax lawyer, etc.) are engaged;
3) The project team reports the key transaction risks and proposed mitigation strategies, as well as the terms of the proposed offer, structure and other arrangements to the CEO;
4) The CEO reviews the project team's report and obtains the approval of the Board of Directors;
5) After the Board approval, the final bid or offer is prepared and the binding terms of the definitive agreements are negotiated and discussed;
6) Once an agreement is reached and the acquisition documents are signed, the transaction is disclosed to the public following the SRC and PSE rules on disclosures.

Company's Rules and Procedures for Divestments:

1) Senior Management assesses the portfolio or assets, investments or business unit in the context of strategic goals of the Company and the group;
2) A project group composed of members from legal, finance, technical, etc. prepares the proposed divestment plan. Consultants (tax lawyer, legal, internal audit, etc.) are engaged;
3) The CEO reviews the divestment plan and obtains the approval of the Board of Directors;
4) After the Board approval, the final divestment plan with potential buyers and target selling price is prepared;
5) A Non-Disclosure Agreement (NDA) is signed with the potential buyers;
6) After signing the NDA/exclusivity agreement, due diligence by potential buyers commences;
7) Offers are evaluated by a committee that will be formed by Management, who recommends the best offer to the Board of Directors and Stockholders, if necessary, for approval;
8) Once approved, the final bid or offer is prepared and the binding terms of the definitive agreements are negotiated and discussed;
9) After signing, the transaction is then disclosed to the public following the SRC and PSE rules on disclosures.

In 2014, the firm of Maceda Valencia & Co was engaged to issue a valuation opinion report on the Coral Bay Nickel Corporation shares received as property dividends from RTN.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

On top of the Company's Social Development and Management Program wherein the operating mines are mandated to provide social, livelihood, and economic assistance to the host and neighboring communities, the Company has the following CSR initiatives:

Initiative	Beneficiary
Punta Naga Ram pump water system tank enhancements	AMPANTRIMTU communities
Joint TMC-THPAL-Claver LGU Sabang seawall bouldering project	Claver municipality
Educational assistance	Punta Naga Indigenous Peoples scholars
Filariasis and dengue examination	Punta Naga community
Post-Yolanda response (disaster preparation, relief goods, debris clearing in Manicani and Guiuan town, Medical mission, pumpboats, housing rehabilitation)	Manicani and Guiuan town
Scholarship grant	3 scholars from Manicani/Guiuan

Initiative	Beneficiary
Stress debriefing activities and training of local trainors	360 school children in 4 elementary schools in Manicani
Educational assistance (school uniforms)	360 pupils and high school strudents of Manicani
Water deliveries, water system maintenance	Rio Tuba and Taratak communities
Medical assistance to Indigenous Peoples	Indigenous Peoples in Sarong
Bridge repair	Barangay Tagolango

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Please see explanation below	Please see explanation below
Board Committees	Please see explanation below	Please see explanation below
Individual Directors	Please see explanation below	Please see explanation below
CEO/President	Please see explanation below	Please see explanation below

The Board of Directors has established an assessment or rating system to measure the performance of the Board; the Directors; and of the Chief Executive Officer (CEO). The Board sets the criteria in the assessment of the Board and the Directors. The assessment of the performance of the CEO is undertaken by the Board in executive session.

In the case of the audit committee, the criteria includes the guidelines provided under the SEC Memorandum Circular No. 4, series of 2012. The self-rating results are summarized by the Corporate Secretary and presented to the Board. Performance appraisal of the CEO is conducted by the Board based on these dimensions: strategy and vision, leadership, innovation, operating metrics, risk management, people management, and external relationships.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Please see explanation below	

Under the Company's Code of Business Conduct and Ethics, all complaints and/or disclosures about violations of the Manual, the Code of Business Conduct and Ethics, other corporate governance rules, the Code of Discipline, and related or equivalent policies are handled by the Investigating Unit or the ad hoc committee which may adopt procedures in implementing disciplinary action in the Code of Discipline or equivalent policy of the Company. Otherwise, it shall adopt comprehensive policies and procedures for the proper handling, investigation, resolution and reporting of all whistleblower complaints referred to it. The Investigating Unit shall ensure that the investigation is conducted in accordance with existing laws, regulations, applicable Company policies and procedures, and due process.

If the complaint is determined to have been substantiated, the Corporate Governance Officer shall issue a report for appropriate action under the Code of Discipline or equivalent Company rules. The respondent shall be informed in writing of the particular act constituting the offense or infraction imputed to him, shall be required to answer the charges against him and shall be afforded the opportunity to be heard and to defend himself. Investigation and determination of the appropriate disciplinary action shall be in accordance with the Company's Code of Discipline or equivalent policy of the Company.

SIGNATURES

MANUEL B. ZAMORA, JR. Chairman of the Board	GERARD H. BRIMO Chief Executive Officer
FULGENCIO S. FACTORAN, JR. Independent Director	FREDERICK Y. DY Independent Director
JOSE RODERICK F. FERNANDO Compliance Officer	

SUBSCRIBED AND SWORN to before me this _______ day of APR 13 2015 20__ , affiant(s) exhibiting to me their __________________, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 474 - 8510 JAN 05, 2015
EXECUTIVE BLDG. CENTER
MAKATI AVE.,COR., JUPITER

Doc No. 327
Page No. 67
Book No. 481
Series of 2015

ANNEX A.1

NICKEL ASIA CORPORATION

CHARTER
AUDIT AND RISK COMMITTEE

I. Introduction

This Charter of the **Audit and Risk Committee** (the "Committee") of **NICKEL ASIA CORPORATION** (the "Company") sets forth among others the purpose, membership, structure, operations, reporting process, resources and other relevant information for the performance by the Committee of its oversight responsibility and functions as prescribed by the *Revised Code of Corporate Governance* (the "CG Code"), the Company's *Manual on Corporate Governance* (the "CG Manual"), and the *Guidelines for the Assessment of Performance of Audit Committees of Companies Listed on the Exchange* (the "Guidelines") promulgated by the Securities and Exchange Commission (the "Commission"). The Committee shall conduct an annual review and assessment of this Charter, and adopt revisions if deemed necessary or beneficial.

II. Organization

a) Membership and Qualifications

The Committee shall consist of at least three (3) Members, including a Chairman, who shall be selected by the Board from among the members of the Company's Board of Directors.

The Members of the Audit Committee must be independent in character and judgment, and shall preferably have accounting or finance background, as such criteria are interpreted by the Board. The Chairman of the Committee shall be an Independent Director and one member should have audit experience as far as practicable.

The Chairman and members of the Committee shall be appointed annually and shall hold office for one (1) year and until their successors are appointed and qualified. A member of the Committee may be disqualified from continuing to be such during the remainder of his term if he ceases to meet any of the qualifications of a Director or if he becomes disqualified from being a Director based on any of the grounds set forth in the Corporation Code, the Securities Regulation Code and other relevant laws, the CG Code, the Company's By-Laws and its CG Manual, as determined by the Board or its Nominations Committee. In addition, the Chairman may be disqualified from chairmanship of the Committee if he ceases to be an Independent Director as defined in the CG Code, the Company's CG Manual and relevant regulations.

b) Meetings, Escalation, Minutes and Notices

The Committee shall meet at least once every calendar quarter, preferably prior to regular meetings of the Board. The Chairman may convene special meetings as circumstances require such as when there is a need to take up critical items requiring attention from or the approval of the Committee in between quarterly meetings. Special meetings may also be convened upon the request of a majority of the Members of the Committee.

The presence of a majority of the Members of the Committee, whether in person or via teleconference or videoconference, shall constitute a quorum. Resolutions by the Committee shall be passed by a simple majority of votes of the Members present at such meeting, provided that a quorum is present at the time the vote was taken.

The relevant members of Management and the Company's Internal and External Auditors shall be invited to attend the meetings to provide the necessary information for the Committee to perform its functions. The Committee shall also meet separately with the External Auditors, the Internal Audit Head, and members of Management, at least once a year.

The Committee shall timely refer to the Board any matter that in the opinion of the Committee should be brought to the attention of the Board, including but not limited to recommendations requiring Board approval and concerns or issues requiring Board action. In this regard, the Board may require the Committee to prepare such reports or issue such certifications that the Board may deem necessary to address recommendations or concerns regarding critical compliance issues.

The Committee shall appoint a Secretary who shall prepare minutes of meetings and keep records of the Committee. A written notice of each meeting of the Committee, confirming the venue, time and date, shall be prepared and sent to all Members within a reasonable time prior to the meeting, but in no case less than 24 hours prior to the meeting except when the circumstances warrant a shorter period, as determined by the Chairman. Members of Management, auditors, or others invited by the Committee shall likewise be given reasonable notice of the meeting. An agenda for each meeting will be prepared and sent to the Members of the Committee in advance of the meeting, together with minutes of the previous meeting and other appropriate briefing materials.

c) Compensation

The Chairman and Members of the Committee shall receive no fees or remuneration in respect of their services in connection with the Committee or in respect of their attendance at meetings of the Committee except for fees and remuneration authorized and approved by the Board for such purposes, the amount of which shall not be such as may jeopardize the independence of Members of the Committee or may reasonably be perceived to interfere with such independence.

d) **Authority**

The Committee shall have the authority appropriate to discharge its functions and responsibilities, including the authority to engage external auditors for special audits, reviews and other procedures and to retain and obtain advice from external counsel and other experts or consultants.

e) **Continuing Education and Training**

Members of the Committee shall keep abreast of developments in financial reporting, accounting, corporate governance, legal and regulatory compliance, technology, business risks and other relevant areas by seeking continuing professional education and training. The education and training may be provided to the Committee by members of Management, the External Auditors, or by third parties recommended by the Chairman, who shall monitor the needs and opportunities for such continuing education.

III. Purpose and functions of the Committee

Consistent with the CG Code, the Guidelines and the Company's CG Manual, the purpose and functions of the Committee are to:

a) 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;

b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

c) Perform oversight functions over the corporation's internal and external auditors. It should 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;

d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

e) 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;

f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

h) Review the reports submitted by the internal and external auditors;

i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s 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.

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k) 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 corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

l) 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 Committee. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

IV. Duties and Responsibilities

To carry out its functions, the Committee shall have the duties and responsibilities set forth below.

a) With respect to Financial Reporting and Disclosures

The Committee shall:

1. Develop an understanding of the Company's business and the mining industry, as well as the current and emerging issues affecting the same, sufficient to perform its fiduciary duty of monitoring the quality and integrity of the Company's financial statements and disclosures.

2. Ensure that Management is well aware of its responsibility over and accountability for the financial statements and disclosures of the Company.

3. Conduct a fair and balanced review of the financial statements and all related disclosures and reports certified by the Chief Financial Officer and released to the public and/or submitted to the Commission and/or the Philippine Stock Exchange, including correspondence between the Company and regulators regarding financial statements and disclosures, for compliance with legal and regulatory requirements, and for completeness, clarity, consistency and accuracy of the material information disclosed, including subsequent events and related party transactions.

4. Conduct a fair and balanced review of the quarterly, half-year and annual financial statements before submission to the Board, focusing on (a) appropriateness of accounting policies and practices adopted by Management, and any significant changes thereto; (b) alternative accounting treatments used; (c) reasonableness of major estimates, assumptions, and judgments used in the preparation of the financial statements; (d) compliance with applicable accounting standards, and impact of new accounting standards and interpretations, if any; (e) significant adjustments resulting from the audit; (f) material errors and fraud, if any; and (g) compliance with tax, legal, stock exchange and other regulatory requirements.

5. Discuss with and seek legal advice of legal counsel regarding litigation, claims, contingencies or other significant legal issues that impact the financial statements.

6. Conduct a fair and balanced review of unusual or complex transactions including all related party transactions.

7. Report any finding of substantial error or fraud in financial reporting to the Board, and recommend the appropriate action therefor.

8. Review and approval of Management representation letter before submission to the External Auditors.

b) With respect to Enterprise Risks and Internal Controls:

The Committee shall:

1. Review and discuss with Management and the Internal Audit Head and/or the External Auditors the Company's major financial and other risk exposures, the policies and processes with respect to risk identification, assessment and management, and issues related thereto, and the steps taken by Management to monitor and control risk exposures. The Committee shall consider among others: (a) sufficiency and adequacy of risk management and internal control processes and policies, in general; (b) Management's take and assurances on the state of internal controls; (c) internal auditor's evaluation of internal controls; (d) internal control issues raised by the External Auditor, including weaknesses in controls and reporting processes; (e) control environment including IT systems and functions; (f) the setting up of a framework for fraud prevention and detection, including a whistle-blowing program, or the adequacy and effectiveness of an existing framework or program; (g) preparation and implementation of a Business Continuity Plan, or the adequacy of an existing Plan and efficiency and effectiveness of its implementation; and (h) the promotion of risk awareness in the organization.

2. Require Management to provide reports about the Company's significant or major risk exposures, if any, and the steps taken by Management to monitor or manage such risks.

c) With respect to Management and Internal Audit

The Committee shall:

1. Review and monitor compliance with the Code of Conduct for Management.

2. Conduct an annual review of the Internal Audit Charter and approval of subsequent revisions thereto.

3. Review sufficiency of and/or recommend and approve changes to the Company's internal audit structure to ensure that the Internal Auditor reports directly to the Committee, and is independent of Management and the External Auditors in the performance of its work, with particular focus on: (a) the authority and reporting line of the internal auditor; (b) the resources, including funding and access to the Company's records, properties and personnel, available to the internal auditor relative to its functions; (c) the extent and scope of internal audit work; (d) internal audit reporting processes; and (e) compliance with International Standards on the Professional Practice of Internal Auditing.

4. Review and evaluate the qualifications, performance and independence of the internal auditor, and recommend the appointment, removal

or replacement of the internal auditor, and whether the internal audit function should be outsourced or remain in-house.

5. Review and approve the internal audit annual plan, and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk.

6. Review and approve the internal auditor's periodic and annual reports, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.

7. Conduct a separate meeting in executive session, with the internal auditor and/or Management to discuss any sensitive matter that requires private discussion, including but not limited to the results of the audit, the quality of management, and financial and accounting controls.

d) With respect to External Audit:

The Committee shall:

1. Review and evaluate the performance, independence, professional qualifications and competence of the External Auditors, and recommend to the Board the appointment of the External Auditors for confirmation by the shareholders as may be necessary or appropriate, or their removal or replacement. The evaluation of the performance of the External Auditor shall include a review of its compliance with accounting standards and other legal and regulatory requirements. The assessment on the independence of the External Auditor shall include a review of its access to all records, properties and personnel of the Company, to ensure that the External Auditors are free from undue interference in the performance of its audit.

2. Ensure the rotation of the lead audit partner every five (5) years, or earlier as may be determined by the Board or prescribed by law, and consider whether there should be regular rotation of the audit firm itself.

3. Review and approve the scope of work and fees of the External Auditors, including the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company's year-end financial statements, and the total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the External Auditor.

4. Review and approve the reports and findings of the External Auditor, ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.

5. Evaluate and resolve disagreements between the External Auditors and Management and/or the Internal Auditor, regarding financial reporting and audit results.

6. Conduct a separate meeting in executive session with the External Auditors to discuss any sensitive matter that requires a private discussion, including but not limited to (a) the results of the audit, (b) year-end financial statements; (c) the quality of management, financial and accounting controls; (d) management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions; (e) the completeness and timeliness of communication by Management to the External Auditors as to i. critical policies; ii. alternative treatments; iii. observations on internal controls; iv. audit adjustments; v. independence; vi. limitations on the audit work set by the management; vii. and other material issues that affect the audit and financial reporting.

e) With respect to Legal and Regulatory compliance:

The Committee shall:

1. Monitor compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities;

2. In case of failure by the management to adopt, as necessary, appropriate remedial measures or sanctions with respect to any reported material violation of securities law or breach of fiduciary duty or similar violations by the Company, consider such reported violation and recommend the appropriate sanction therefor; and

3. Discuss with the Company's Chief Finance Officer and/or Compliance Officer any significant legal matters that may have a material effect on the financial statements, the Company's compliance policies, including material notices to or inquiries from governmental agencies.

V. Performance Evaluation and Assessment

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the CG Code, the CG Manual and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance through the self-assessment worksheet provided in the Guidelines, and under the mechanics provided therein.

The self-assessment should be conducted by the Committee at least annually or in such shorter intervals as may be fixed by the Board. The results of the assessment shall be validated by the Company's Compliance Officer. The entire assessment process should be documented and should form part of the records of the Company that may be examined by the Commission from time to time.

VI. Amendment

This Charter may be amended or repealed, or a new Charter be adopted, by resolution of the Committee duly adopted.

Adopted by the Audit and Risk Management Committee of Nickel Asia Corporation this 3rd day of August 2012.

Attest:

FREDERICK Y. DY
Independent Director
Chairman, Audit Committee

JOSE RODERICK F. FERNANDO
Vice President and Asst. Corporate Secretary
Compliance Officer.

NICKEL ASIA CORPORATION

ANNEX A.2

CHARTER OF THE NOMINATIONS COMMITTEE

1. Mandate

a. To provide guidance to the Board for the establishment of the principles for the selection of candidates to the Board of Directors and for the appointment of Officers and other appointments that require Board approval towards ensuring that the quality and competence of Directors and Officers are aligned with the Company's strategic directions.

b. To review and assess the effectiveness of the Board's processes in the election or replacement of Directors and the appointment and replacement of Officers.

2. Composition

The Nominations Committee shall be composed of at least three (3) members, at least one of whom shall be an Independent Director.

3. Duties and responsibilities

a. Prepare and recommend working guidelines for the selection of members of the Board of Directors and Officers;

b. Review and evaluate the qualifications of candidates for election to the Board of Directors, including the review and evaluation of the independence of candidates for Independent Directors, to ensure that candidates shall possess the qualifications and none of the disqualifications for election to the Board;

c. Prepare a list of qualified candidates as required under guidelines of the Securities and Exchange Commission;

d. Review and evaluate the qualifications of candidates for appointment as Officer and candidates for other positions that require Board approval of Directors;

e. Prepare an annual performance evaluation of the Committee to be taken up with the Board;

f. Assist in the process for the evaluation of the performance of the Board of Directors through a self-assessment process;

g. Such other duties and responsibilities as may be assigned to the Committee by the Board of Directors.

4. Conduct of meetings

a. The Committee shall meet at least twice each fiscal year, and at such other times as determined by its Chairman, upon reasonable written notice to the members.

b. A majority of the members of the Committee shall constitute a quorum.

c. The Committee shall maintain written minutes of its meetings.

5. Search for candidates

The Committee may use professional search firms or other external sources of candidates, such as director databases set up by director or shareholder bodies, as deemed necessary or appropriate when searching for candidates for Directors and Officers.

6. Escalation to the Board

The Committee, through its Chairman, shall endorse to the Board any matters appropriate for Board action or approval.

NICKEL ASIA CORPORATION

ANNEX A.3

CHARTER OF THE COMPENSATION (REMUNERATION) COMMITTEE

1. **Mandate**

   a. To provide guidance to and assist the Board in developing a formal and transparent compensation philosophy or policy consistent with the Company's culture, strategy and the business and control environment in which it operates.[1]

   b. To oversee the development and administration of the Company's executive compensation programs, and ensure that the levels and forms of executive compensation are adequate to attract, motivate and keep a pool of officers and executives who will contribute to the long-term financial success of the Company.

   c. Provide guidance to the Board and Management on the compensation philosophy and policies of the Company as a whole.

2. **Composition**

   The Compensation (Remuneration) Committee shall be composed of at least three (3) members, at least one of whom shall be an Independent Director.

3. **Duties and Responsibilities**

   The Committee shall perform the following duties and responsibilities in a manner consistent with the Company's Manual on Corporate Governance and corporate governance best practices:

   a. Formulate the principles and policies for remuneration of the members of the Board of Directors and submit them to the Board for consideration and approval;

   b. Designate the compensation program for Executive Directors[2] and Officers[3] of the Company, taking into consideration the long-term interests of the Company and the sufficiency of the compensation program to attract and retain the services of qualified and competent Executive Directors and Officers who are needed to run the Company successfully, subject to the approval of the Board. Compensation program shall include any monetary remuneration, fees, allowances, benefits and other emoluments which are given to executive directors and officers of the Company.

---

[1] Article 3(K)(ii)(b) of the Revised Code of Corporate Governance

[2] For purposes of this Charter, Executive Directors are members of the Board of Directors who hold executive positions in the Company

[3] May be limited to senior officers

c. Propose to the Board of Directors the individual remuneration of the CEO and approve the individual remuneration of Officers as proposed by the CEO together with the Chairman;

d. Periodically assess and review the compensation program of Directors and Officers, and recommend changes and adjustments;

e. Recommend the approval, and oversee the implementation of, a stock option plan or other long-term incentive plan for Directors, Officers and Employees;

f. Provide guidance to the Board and Management on the compensation philosophy and policies of the Company as a whole;

g. Review the implementation of policies relating to variable pay and performance bonuses of Directors, Officers and Employees;

h. Make reports to the Board at regular intervals regarding the actions taken, and issues discussed and resolved by, the Committee;

i. Prepare an annual performance evaluation of the Committee to be taken up with the Board;

j. Such other duties and responsibilities as may be delegated by the Board.

4. Conduct of meetings

a. The Committee shall meet at least twice each fiscal year, and at such other times as determined by its Chairman, upon reasonable written notice to the members.

b. A majority of the members of the Committee shall constitute a quorum.

c. The Committee shall maintain written minutes of its meetings.

5. **Escalation to the Board**

The Committee, through its Chairman, shall endorse to the Board any matters determined by the members of the Committee to be appropriate for Board action or approval.

NICKEL ASIA CORP.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED 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, 2014 and 2013, 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 directors and 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

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 06 2015
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS / HER
No.______ ISSUED ON ______ AT______

Signed this 27th day of March 2015

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PAGE NO. 25
BOOK NO. 478
SERIES NO. 2015

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO.48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 474 - 8510 JAN 05, 2015
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER

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

We have audited the accompanying consolidated financial statements of Nickel Asia Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nickel Asia Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 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. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 4751289, January 5, 2015, Makati City

March 27, 2015

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱13,561,803**	₱10,234,336
Trade and other receivables (Note 5)	**1,431,080**	839,449
Inventories (Note 6)	**2,863,181**	2,044,469
Available-for-sale (AFS) financial assets (Note 7)	**2,281,632**	1,257,370
Prepayments and other current assets (Note 8)	**473,774**	225,412
Total Current Assets	**20,611,470**	14,601,036
Noncurrent Assets		
AFS financial assets - net of current portion (Note 7)	**522,797**	1,181,568
Property and equipment (Note 9)	**6,598,993**	6,585,752
Investment properties (Note 10)	**29,000**	29,000
Investments in associates (Note 11)	**5,304,040**	4,112,126
Long-term stockpile inventory - net of current portion (Note 12)	**812,760**	981,463
Deferred income tax assets - net (Note 33)	**207,967**	344,443
Other noncurrent assets (Note 13)	**1,096,881**	1,078,140
Total Noncurrent Assets	**14,572,438**	14,312,492
TOTAL ASSETS	**₱35,183,908**	₱28,913,528
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱1,482,640**	₱928,113
Current portion of long-term debt (Note 15)	**118,329**	117,469
Income tax payable	**513,598**	263,381
Total Current Liabilities	**2,114,567**	1,308,963
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	**1,313,203**	1,421,128
Deferred income tax liabilities - net (Note 33)	**421,050**	486,228
Provision for mine rehabilitation and decommissioning (Note 16)	**130,175**	130,927
Deferred income - net of current portion	**71,229**	75,419
Pension liability (Note 32)	**231,338**	279,075
Total Noncurrent Liabilities	**2,166,995**	2,392,777
Total Liabilities	**4,281,562**	3,701,740
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 17)	**1,272,495**	1,266,780
Stock dividends distributable (Note 17)	**632,648**	–
Additional paid-in capital	**8,273,655**	8,151,603
Other components of equity:		
Net valuation gains on AFS financial assets (Note 7)	**171,322**	99,506
Cost of share-based payment plan (Note 18)	**47,060**	49,524
Asset revaluation surplus	**33,246**	33,629
Share in cumulative translation adjustment (Note 11)	**82,154**	140,201
Retained earnings:		
Appropriated (Note 17)	**1,000,000**	1,000,000
Unappropriated	**15,673,051**	9,748,905
	27,185,631	20,490,148
Non-controlling Interests (NCI)	**3,716,715**	4,721,640
Total Equity	**30,902,346**	25,211,788
TOTAL LIABILITIES AND EQUITY	**₱35,183,908**	₱28,913,528

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		
	2014	2013	2012
REVENUES (Note 31)			
Sale of ore	**₱24,052,734**	₱10,475,497	₱11,143,293
Services and others	**692,970**	634,032	463,614
	24,745,704	11,109,529	11,606,907
COSTS AND EXPENSES			
Cost of sales (Note 20)	**5,356,411**	4,489,294	4,467,215
Cost of services (Note 21)	**371,150**	335,292	260,399
Shipping and loading costs (Note 22)	**1,837,568**	1,398,771	1,400,550
Excise taxes and royalties (Note 23)	**1,754,834**	648,608	707,937
Marketing (Notes 36e and 36i)	**168,943**	65,629	94,354
General and administrative (Note 24)	**956,864**	624,819	527,581
	10,445,770	7,562,413	7,458,036
FINANCE INCOME (Note 27)	**172,104**	166,753	235,040
FINANCE EXPENSES (Note 28)	**(164,369)**	(128,298)	(114,536)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 11)	**522,380**	(184,703)	(114,639)
OTHER INCOME - net (Note 29)	**470,897**	309,783	300,262
INCOME BEFORE INCOME TAX	**15,300,946**	3,710,651	4,454,998
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)			
Current	**4,265,468**	1,169,504	1,264,270
Deferred	**27,359**	(45,289)	70,428
	4,292,827	1,124,215	1,334,698
NET INCOME	**₱11,008,119**	₱2,586,436	₱3,120,300
Net income attributable to:			
Equity holders of the parent	**₱8,551,627**	₱2,053,674	₱2,207,210
NCI	**2,456,492**	532,762	913,090
	₱11,008,119	₱2,586,436	₱3,120,300
Earnings per share (EPS; Note 19)			
Basic	**₱2.26**	₱0.54	₱0.58
Diluted	**₱2.25**	₱0.54	₱0.58

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱11,008,119**	₱2,586,436	₱3,120,300
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:			
Share in translation adjustment of associates (Note 11)	**(54,876)**	307,900	(268,299)
Income tax effect	**(3,171)**	(30,790)	13,139
	(58,047)	277,110	(255,160)
Net valuation gains on AFS financial assets (Note 7)	**96,806**	45,679	66,910
Income tax effect (Note 7)	**(22,649)**	(15,636)	(16,048)
	74,157	30,043	50,862
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	**16,110**	307,153	(204,298)
Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:			
Remeasurement gain (loss) on pension liability (Note 32)	**62,960**	(149,686)	92,417
Income tax effect	**(18,888)**	44,906	(27,725)
	44,072	(104,780)	64,692
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	**43,689**	(105,163)	64,309
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	**59,799**	201,990	(139,989)
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱11,067,918**	₱2,788,426	₱2,980,311
Total comprehensive income attributable to:			
Equity holders of the parent	**₱8,592,028**	₱2,292,064	₱2,035,344
NCI	**2,475,890**	496,362	944,967
	₱11,067,918	₱2,788,426	₱2,980,311

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 17)	Stock Dividends Distributable (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	NCI	Total
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**
Net income	–	–	–	–	–	–	–	**8,551,627**	–	**8,551,627**	**2,456,492**	**11,008,119**
Other comprehensive income (loss)	–	–	–	–	**71,816**	**(58,047)**	**(383)**	**27,015**	–	**40,401**	**19,398**	**59,799**
Total comprehensive income (loss)	–	–	–	–	**71,816**	**(58,047)**	**(383)**	**8,578,642**	–	**8,592,028**	**2,475,890**	**11,067,918**
Cost of share-based payment plan (Note 18)	–	–	–	**43,000**	–	–	–	–	–	**43,000**	–	**43,000**
Cash dividends (Note 17)	–	–	–	–	–	–	–	**(2,021,727)**	–	**(2,021,727)**	–	**(2,021,727)**
7% Cash dividends - Preferred share	–	–	–	–	–	–	–	**(504)**	–	**(504)**	–	**(504)**
Stock dividends (Note 17)	–	**632,648**	–	–	–	–	–	**(632,648)**	–	–	–	–
Exercise of stock options (Note 18)	**5,715**	–	**122,052**	**(45,464)**	–	–	–	–	–	**82,303**	–	**82,303**
Share of NCI in cash dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	**(3,480,815)**	**(3,480,815)**
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	–	**383**	–	**383**	–	**383**
Balances at December 31, 2014	**₱1,272,495**	**₱632,648**	**₱8,273,655**	**₱47,060**	**₱171,322**	**₱82,154**	**₱33,246**	**₱15,673,051**	**₱1,000,000**	**₱27,185,631**	**₱3,716,715**	**₱30,902,346**

See accompanying Notes to Consolidated Financial Statements.

	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	NCI	Total
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
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 NCI 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

See accompanying Notes to Consolidated Financial Statements.

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Retained Earnings	Total	NCI	Total
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
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	–	–	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	1,243	41,917	(9,603)	–	–	–	–	33,557	–	33,557
Share of NCI 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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱15,300,946**	₱3,710,651	₱4,454,998
Adjustments for:			
Depreciation, amortization and depletion (Note 26)	**1,373,334**	1,262,651	981,883
Equity in net losses (income) of associates (Note 11)	**(522,380)**	184,703	114,639
Interest income (Note 27)	**(160,847)**	(159,445)	(226,414)
Dividend income (Notes 7 and 29)	**(6,473)**	(62,654)	(192,720)
Movements in pension liability	**(14,341)**	52,998	34,451
Unrealized foreign exchange losses (gains) - net (Note 29)	**(91,147)**	41,647	(40,294)
Interest expense (Notes 21 and 28)	**47,717**	38,313	63,989
Cost of share-based payment plan (Note 18)	**43,000**	10,369	2,759
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	**8,893**	8,554	13,539
Accretion income (Note 27)	**(573)**	–	–
Loss (gain) on :			
Sale of investment properties (Note 29)	**–**	(145,095)	–
Sales of property and equipment (Note 29)	**(9,693)**	(82,005)	1,369
Valuation on AFS financial assets transferred from equity to statement of income - net (Notes 7, 27 and 28)	**(8,479)**	(7,308)	(6,490)
Casualty losses	**–**	2,785	–
Provision for impairment losses on property and equipment (Notes 9 and 29)	**98,487**	–	–
Day 1 loss (Note 28)	**2,123**	–	–
Effect of change in estimate on provision for mine rehabilitation and decommissioning (Note 16)	**756**	–	–
Operating income before working capital changes	**16,061,323**	4,856,164	5,201,709
Decrease (increase) in:			
Trade and other receivables	**(574,383)**	88,383	219,027
Inventories	**(650,009)**	244,266	95,480
Prepayments and other current assets	**(242,854)**	(66,947)	(63,655)
Increase (decrease) in trade and other payables	**572,792**	73,959	(298,964)
Net cash generated from operations	**15,166,869**	5,195,825	5,153,597
Income taxes paid	**(4,015,251)**	(1,201,218)	(1,244,344)
Interest received	**147,758**	166,316	225,818
Interest paid	**(37,692)**	(40,001)	(56,107)
Net cash flows from operating activities	**11,261,684**	4,120,922	4,078,964

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment and investment properties (Notes 9 and 10)	**(₱1,557,072)**	(₱1,931,125)	(₱2,719,033)
AFS financial assets (Note 7)	**(1,397,019)**	(374,074)	(574,747)
Proceeds from:			
Sale of property and equipment and investment properties (Notes 9, 10 and 29)	**70,485**	296,287	5,115
Sale of AFS financial assets (Notes 7 and 27)	**415,713**	119,172	77,753
Dividends received	**6,473**	62,654	192,720
Increase in other noncurrent assets	**(18,741)**	(85,997)	(280,460)
Net cash flows used in investing activities	**(2,480,161)**	(1,913,083)	(3,298,652)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of stock options	**82,303**	16,662	33,557
Increase (decrease) in deferred income	**(4,190)**	(12,867)	4,132
Payments of:			
Cash dividends (Notes 17 and 30)	**(5,502,542)**	(1,185,252)	(1,673,452)
Long-term debt	**(115,685)**	(118,473)	(123,371)
Rehabilitation cost (Note 16)	**(10,401)**	(10,149)	–
Net cash flows used in financing activities	**(5,550,515)**	(1,310,079)	(1,759,134)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,231,008**	897,760	(978,822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,234,336**	9,263,451	10,350,592
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**96,459**	73,125	(108,319)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱13,561,803**	₱10,234,336	₱9,263,451

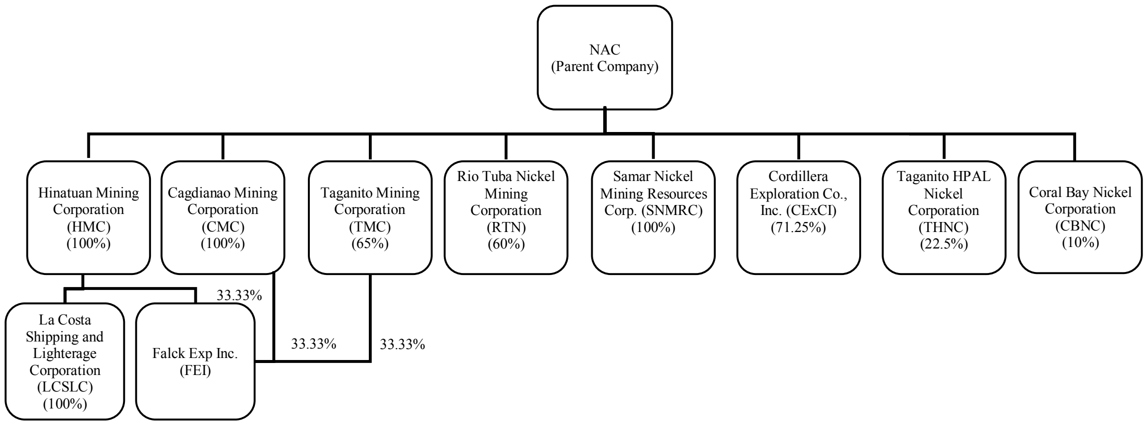
See accompanying Notes to Consolidated Financial Statements.

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 Parent 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 ₱5.33 per share after the stock dividends (see Note 17).

Parent Company Ownership Map



On March 24, 2014 and June 6, 2014, the Board of Directors (BOD) of the Parent Company and its stockholders, respectively, 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. The amendment of the Parent Company's Articles of Incorporation was approved by the SEC on August 15, 2014.

The Subsidiaries

HMC

HMC was registered with the SEC on October 9, 1979, is a one hundred percent (100%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Hinatuan and Nonoc Islands, Surigao del Norte and Manicani Island, Eastern Samar. HMC is also engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. 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 Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Island. 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 Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. TMC also provides services which involves the handling, hauling and transportation of materials required in the processing operations of 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, 1969, is a sixty percent (60%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan and providing non-mining services required in the processing operations of CBNC. 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 Parent Company through HMC, CMC and TMC, and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. Final dissolution will take place after the approval of FEI's application with the SEC. The registered office address of FEI is at 3rd floor NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

LCSLC
LCSLC was registered with the SEC on October 23, 1992, is a one hundred percent (100%) owned subsidiary of the Parent Company through HMC, and is primarily engaged in the chartering out of LCT and providing complete marine services. In a resolution dated May 6, 2014, the BOD of LCSLC authorized the disposal of all of its LCT. Accordingly, on the same date, LCSLC entered into a Deed of Absolute Sale with HMC to sell all of its LCT. LCSLC was acquired by HMC in April 2010. The registered office address of the LCSLC is at 29th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig.

SNMRC
SNMRC was registered with the SEC on March 11, 2010, is a one hundred percent (100%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations. 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 Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining

properties at various stages of exploration. It is currently not engaged in any development or commercial production activities. The registered office address of CExCI is at 7th floor NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

Executive Order (EO) 79
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 Agreement (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 consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issuance by the Parent Company's BOD on March 27, 2015.

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 derivative financial instrument and AFS financial assets which are measured at fair value and inventories which are measured at net realizable value (NRV). The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Parent Company and its subsidiaries (collectively referred to as the Group) determines its own functional currency and items included in the financial statements of each entity are measured using that functional and presentation (or reporting) currency. The functional currency of the entities in the Group is also the Philippine peso. 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.

Basis of Consolidation from January 1, 2010
The consolidated financial statements include the Group and its associates:

	Principal Place of Business	Principal Activities	Effective Ownership 2014	Effective Ownership 2013
Subsidiaries				
HMC	Philippines	Mining and Services	**100.00%**	100.00%
CMC	Philippines	Mining	**100.00%**	100.00%
SNMRC	Philippines	Mining	**100.00%**	100.00%
LCSLC*	Philippines	Services	**100.00%**	100.00%
FEI*	Philippines	Mining	**88.00%**	88.00%
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%
Associates				
THNC	Philippines	Manufacturing	**22.50%**	22.50%
CBNC*	Philippines	Manufacturing	**10.00%**	6.00%

*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. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Control is achieved when the 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 financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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

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

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

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

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

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

<u>Basis of Consolidation Prior to January 1, 2010</u>
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:

- NCI 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 Company's equity.
- Acquisition of NCI 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 NCI until the balance was reduced to nil. Any further excess losses were attributable to the Parent Company, unless the NCI 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.

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

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 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 Group continues to present financial assets and financial liabilities at gross since the management has assessed that offsetting arrangements are not mandatory.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* 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. The application of the amendments has no material impact on the disclosures in the 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 and retrospective application is required. These amendments have no impact as the Group has not novated its derivatives during the current or prior period.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosures of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments 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). The amendments must be applied retrospectively, subject to certain transition relief. It is not expected that these amendments would be relevant to the Group since none of the entities 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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement.* The amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current

standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014

The Group will adopt the 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.

Effective Date to be Determined

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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 other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, 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 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 into PFRS 9, including the embedded derivative 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.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). 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, *Construction Contracts*, 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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group since it has no agreements for the construction of real estate.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA

Effective January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The Group has no contributions from employees or third parties to defined benefit plans. Thus, these amendments have no impact on the Group's financial position or performance.

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*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). 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 are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosure only and has 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 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  This is not expected to be relevant to the Group since it has no joint arrangements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates

between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Effective January 1, 2016:

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

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective with early adoption permitted. These amendments are not expected to have any impact to the Group since it has no joint arrangements.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

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

effective prospectively with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - *Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

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

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

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

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

amendments. These amendments are not expected to have any impact since the Group has no service contracts.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any material impact on the Group's disclosures in the condensed interim consolidated financial statements.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, Government bond rates must be used. The amendments are not expected to have any impact to the Group.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). These amendments will not have any material impact on the Group's disclosures in the interim consolidated financial statements.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments* - *Hedge Accounting* and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 (2013 version) is not expected to have any significant impact on the Group's financial statements since they do not have financial instruments covered by hedge accounting. However, the Group is currently assessing the further impact of adopting this standard.

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

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

The following new standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Presentation of Consolidated 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

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. All differences are taken to "Other income (charges) - net" in the consolidated statement of income.

As at the end of the reporting period, the statement of financial position of associates (whose functional currency is other than the Philippine peso) is translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange at the end of the reporting period and the consolidated 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.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as noncurrent.

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, Classification 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 financial assets at FVPL, loans and receivables and AFS financial assets. The Group has no HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2014 and 2013.

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, 2014 and 2013.

Fair Value Measurement
The Group measures financial instruments, such as AFS financial assets and derivative financial instrument, 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 consolidated 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.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variable include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

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

Financial Assets at FVPL
A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL. A financial asset at FVPL is designated by management on initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performances are evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Derivatives, including separated embedded derivatives, are also categorized as held at FVPL, except those derivatives designated and considered as effective hedging instruments.

As at December 31, 2014, the Group recognized bifurcated derivative asset arising from its convertible loan with Emerging Power, Inc. (EPI) as financial asset at FVPL (see Note 31).

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 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.

The Group’s loans and receivables include “Cash and cash equivalents”, “Trade and other receivables”, short-term cash investment which is under “Prepayments and other current assets”, 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” (see Notes 4, 5, 8 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.

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 “Interest income” using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated statement 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. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated 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 income” in the consolidated statement of income.

This accounting policy applies primarily to the Group’s trade and other payables, long-term debt 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.

The carrying amount of the assets is reduced through the use of an allowance account and the amount of loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued 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. 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 loss was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. 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 in 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.

Derivatives

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are accounted for at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to net consolidated profit or loss for the year, unless the transaction is designated as effective hedging instrument.

Embedded Derivatives

An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in consolidated profit or loss.

After initial recognition, the Group measures the derivative assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such equity instruments, which shall be measured at cost.

Inventories

Inventories, excluding the long-term stockpile inventory, are valued at the lower of cost and NRV. Cost is determined by the average production cost during the year for beneficiated nickel and limestone ore exceeding a determined cut-off grade. The NRV of beneficiated nickel and limestone ore inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

For materials and supplies, cost is determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. The NRV of materials and supplies is the current replacement cost. Any provision for inventory losses is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

Long-term Stockpile Inventory

The long-term stockpile inventory of RTN is carried at the lower of cost and 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 tonnage delivered to CBNC. NRV of long-term stockpile inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Prepayments and Other Current Assets

Prepayments and other current assets include short-term cash investment, input tax, tax credit certificates, derivative asset, 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.

Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations and is included under "Prepayments and other current assets", which can be recovered as tax credit against future tax liability of the Group. "Output VAT" represents indirect taxes passed on by the Group resulting from sale of good and services and other income, as applicable, and as required under Philippine taxation laws and regulations. Input VAT on capitalized assets subject to amortization and any excess which (1) may be utilized against output VAT, if any, beyond twelve (12) months from the end of the reporting period or (2) are being claimed for refund or as tax credits with the Court of Tax Appeals which are presented as part of "Other noncurrent assets" in the consolidated statement of financial position. Input VAT is stated at its estimated NRV.

Property and Equipment

Except for land, property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion 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. 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. 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
Land improvements	5
Machinery and equipment	2-15
Buildings and improvements	2-25

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 (20) years to thirty (30) 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, amortization and depletion of property and equipment, except land, 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, or in case of mining properties, from start of commercial operations upon extraction of ore reserves. Depreciation, amortization and depletion ceases when the assets are fully depreciated, amortized or depleted, or 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. These are reviewed and adjusted, if appropriate, at each end of the reporting period. If there is an indication that there has been a significant change in depreciation, amortization and depletion rate, useful life or residual value of an asset, the depreciation, amortization and depletion of that asset is revised prospectively to reflect the new expectations.

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.

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.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

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. Capitalized borrowing costs are based on the applicable borrowing rate agreed in the agreement.

Investment Properties
Investment property, which pertains to land, 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 any accumulated impairment losses.

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.

Under 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.

Investments in Associates
Associates are entities over which the Group 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 consideration made in determining significant influence is similar to those necessary to determine control activities. The Group's investments in associates are 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 associates. 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 associates 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 consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

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

<u>Other Noncurrent Assets</u>
Other noncurrent assets of the Group include input tax, advances and deposits, cash held in escrow, deferred mine exploration costs, MRF, SDMP fund, long-term negotiable instrument, pension asset and other deposits. Aside from cash held in escrow, MRF and SDMP fund which are restriced as to withdrawal for specified purpose, 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.

Deferred Stripping Costs
Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine which are amortized subsequently. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or amortization and less impairment losses.

Other Nonfinancial Assets
The Group provides allowance for impairment losses on other nonfinancial assets when they can no longer be realized. The amount 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 nonfinancial assets.

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

Property and Equipment, Investment Properties, Nonfinancial Prepayments and Other Current and Noncurrent Assets
The Group assesses, at each end of the reporting period, whether there is an indication that an asset may be impaired. 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. The fair value less costs to sell 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 less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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 depreciation, amortization and depletion) had no impairment loss been recognized for that asset in prior years.

Investments in Associates
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associates. At each end of the reporting period, the Group determines whether there is objective evidence that the investments in associates are 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.

<u>Deferred Income</u>
Deferred income is advance payments received during one (1) accounting period but earned and shown in the consolidated statement of income in the year when it can be matched with the period in which it is realized as income.

<u>Provisions</u>
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 part of "Finance expense" in the consolidated statement of income.

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 expense". 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. When rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to consolidated statement of income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results. 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 and are measured at par value for all shares issued and outstanding.

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 under “Retained earnings” in the consolidated statement of financial position.

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 in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and other capital adjustments.

Dividends are recognized as a liability and deducted from equity when they are approved or declared by the BOD and/or stockholders. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

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 transaction is determined by the fair value at the date when the grant is made using the Black Sholes-Merton model. The cost of equity-settled transaction 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 the end of 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 are 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted EPS.

<u>Basic/Diluted EPS</u>
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.

<u>Revenue Recognition</u>
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 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 and THNC, coincides with the loading of the ores into the buyer's vessel and the date of the bill of lading issued by the buyer's shipping agent. In the case of deliveries to CBNC and THNC, this occurs at the time the ore passes into the ore preparation hopper of the respective plants. Under the terms of the arrangements with customers, the Group bills the remaining balance, generally at

ten percent (10%) to twenty percent (20%) of the ore shipped, based on the assay results agreed by both the Group and the customers. Where the assay results are not yet available as at the end of the reporting period, the Group accrues the remaining ten percent (10%) to twenty percent (20%) of the revenue based on the amount of the initial billing made.

Rendering of Services
Revenue from rendering of services consists of shipsiding activities, service fees, usage fees, drilling fees and materials handling fees are recognized when the services are 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.

Other Income
Revenue is recognized in the consolidated statement of income as they are earned.

Cost and Expense Recognition
Cost and expenses are decreases in economic benefits during the end of 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 generally recognized when the expense arises, incurred or accrued in the appropriate period.

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, costs of shipping and loading which are expenses incurred in connection with the distribution of ores, 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.

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 rewards 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 and included under “Finance expense” or “Finance income” 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 Group, 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations 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 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 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 are 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 Group, the functional currency of the Group has been determined to be the Philippine peso. The functional currency is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences labor, material and other costs of providing goods and services.

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. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Assessing Whether an Agreement is a Finance or Operating Lease
Management assess at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased item. Leases, where management has determined that the risks and rewards related to the leased item are transferred to the lessee, are classified as finance leases. On the other hand, leases entered into by the Group, where management has determined that the risks and rewards of the leased item are retained with the lessors, are accounted for as operating leases. Based on management's assessment the Group has entered into operating leases.

Determining Operating Lease Commitments - Group as a Lessee
The Group has entered into commercial property and equipment leases where management has determined that the significant risks and rewards of ownership of the leased properties are retained with the lessors and are being leased as 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 where management 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 depletion commences.

Reclassifying AFS Financial Asset to Investment in Associates
In March 2014, the Group reclassified its ten percent (10%) interest in CBNC from an AFS financial asset to an investment in associate. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures*, and due to the change in the nature of the Group's involvement in CBNC, the Group evaluates various factors and assessed that significant influence exists. The Group's ten percent (10%) interest in CBNC was reclassified as an investment in associate at the cost of ₱724.4 million.

<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 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, and 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 ₱1,431.1 million and ₱839.4 million as at December 31, 2014 and 2013, respectively (net of allowance for impairment losses of ₱37.8 million and ₱38.9 million as at December 31, 2014 and 2013, 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 or limestone prices or production costs and other factors.

Estimating Allowance for Inventory Losses
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, 2014 and 2013, inventories carried at lower of cost and NRV amounted to ₱2,863.2 million and ₱2,044.5 million, respectively (net of allowance for inventory losses of ₱153.7 million and ₱374.3 million as at December 31, 2014 and 2013, respectively; see Note 6).

Estimating Recoverability of Long-term Stockpile Inventory
The determination of the Group's long-term stockpile inventory include among others, projected revenues and 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 and 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 ₱812.8 million and ₱981.5 million as at December 31, 2014 and 2013, respectively (see Note 12).

Estimating Allowance for 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 2014 and 2013. The carrying values of AFS financial assets amounted to ₱2,804.4 million and ₱2,438.9 million as at December 31, 2014 and 2013, respectively (see Note 7).

Bifurcating and Valuing the Embedded Derivative on Convertible Loan with EPI
On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which will be released in two (2) tranches. The Parent Company may convert the entire second (2nd) tranche loan into the shares of stock of EPI constituting fifty-five percent (55%) of the total issued and outstanding shares of the latter.

Management assesses that the equity conversion right is an embedded derivative which is required to be bifurcated from the loan agreement. The embedded derivative is accounted for either as financial assets or financial liabilities at FVPL except for investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such instruments, which shall be measured at cost. EPI is a private entity and has no stable source of income as at December 31, 2014. EPI will generate revenue only when one of its projects will be put into commercial operation. Because of the circumstances involving EPI, the fair value of the equity instrument cannot be reliably measured and thus management has assessed that the equity conversion right shall be bifurcated at cost upon drawdown, where cost would be the initial fair value of the conversion feature. The derivative asset as at December 31, 2014 and 2013 amounted to ₱5.5 million and nil, respectively (see Notes 8 and 31f).

Estimating Useful Lives of Property and Equipment except Land
The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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 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 property and equipment in 2014 and 2013.

The carrying values of property and equipment, except land, as at December 31, 2014 and 2013 amounted to ₱6,344.7 million and ₱6,331.5 million, respectively (net of accumulated depreciation, amortization and depletion of ₱6,114.0 million and ₱5,048.0 million and accumulated impairment losses of ₱98.5 million and nil as at December 31, 2014 and 2013, respectively; see Note 9).

Estimating Allowance for 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. There was no impairment losses recognized for investment properties in 2014 and 2013. As at December 31, 2014 and 2013, the Group provided an allowance for impairment losses on property and equipment amounting to ₱98.5 million and nil, respectively (see Notes 9 and 29).

The carrying values of property and equipment amounted to ₱6,599.0 million and ₱6,585.8 million as at December 31, 2014 and 2013, respectively (see Note 9). On the other hand, the carrying values of investment properties amounted to ₱29.0 million as at December 31, 2014 and 2013 (see Note 10).

Estimating Allowance for Impairment Losses on Investments in Associates
Impairment review on investments in associates are 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 2014 and 2013 that may indicate that the carrying value of investments in associates may not be recoverable.

No impairment loss was recognized on investments in associates in 2014 and 2013. The carrying values of the Group's investments in associates amounted to ₱5,304.0 million and ₱4,112.1 million as at December 31, 2014 and 2013, 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, 2014 and 2013 amounted to ₱63.6 million and ₱52.9 million, respectively (net of allowance for impairment losses of ₱145.7 million and ₱144.2 million as at December 31, 2014 and 2013, respectively; see Note 13).

Estimating Allowance for Impairment Losses on Nonfinancial Other Assets
The Group provides allowance for impairment losses on nonfinancial other 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 assets.

The carrying values of nonfinancial prepayments and other current assets amounted to ₱268.3 million and ₱225.4 million as at December 31, 2014 and 2013, respectively, while nonfinancial other noncurrent assets amounted to ₱819.4 million and ₱840.6 million as at December 31, 2014 and 2013, respectively (see Notes 8 and 13).

The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱0.5 million as at December 31, 2014 and 2013 (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2014 and 2013 amounted to ₱145.7 million and ₱160.6 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.

Provision for mine rehabilitation and decommissioning amounted to ₱130.2 million and ₱130.9 million as at December 31, 2014 and 2013, 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 and future salary increase rates. In accordance with Revised 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 liability.

As at December 31, 2014 and 2013, pension asset included under "Other noncurrent assets" account amounted to ₱6.1 million and nil, respectively (see Notes 13 and 32). Pension liability amounted to ₱231.3 million and ₱279.1 million as at December 31, 2014 and 2013, respectively (see Note 32).

Estimating Fair Value of Share-based Payment Transactions
The Parent Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Parent 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. The assumptions and models used for estimating the fair value of 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 no longer affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized as expense in 2014, 2013 and 2012, with a corresponding charge to the equity account, amounted to ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively. As at December 31, 2014 and 2013, the balance of the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱47.1 million and ₱49.5 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 ₱208.0 million and ₱344.4 million as at December 31, 2014 and 2013, respectively (see Note 33).

As at December 31, 2014 and 2013, the Group has temporary difference amounting to ₱96.1 million and ₱99.1 million, respectively, for which no deferred income tax assets were recognized because it is more likely than not that the carryforward benefits will not be realized in the future (see Note 33).

Determining Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statement 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

	2014	2013
Cash on hand and with banks	**₱1,229,212**	₱4,981,843
Short-term cash investments	**12,332,591**	5,252,493
	₱13,561,803	₱10,234,336

Cash with banks earn interest at the prevailing bank deposit rates. Cash equivalents are 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. The carrying value of cash and cash equivalents approximates their fair value as of the end of the reporting period.

The Group has United States dollar (US$) denominated cash and cash equivalents amounting to US$150.4 million, equivalent to ₱6,726.4 million, and US$59.4 million, equivalent to ₱2,636.9 million, as at December 31, 2014 and 2013, respectively (see Note 34).

Interest income earned from cash and cash equivalents amounted to ₱140.8 million, ₱142.0 million and ₱203.0 million in 2014, 2013 and 2012, respectively (see Note 27).

Cash with banks amounting to ₱45.1 million and ₱65.1 million as at December 31, 2014 and 2013, 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

	2014	2013
Trade (see Note 31a)	**₱879,976**	₱654,568
Notes receivable (see Note 31f)	**276,342**	–
Advances to suppliers and contractors	**73,045**	63,154
Advances to officers and employees	**48,704**	25,550
Receivable from CBNC (see Note 31a)	**39,362**	50,049
Interest receivable	**24,723**	11,635
Amounts owed by related parties (see Note 31)	**4,493**	9,212
Others	**122,268**	64,224
	1,468,913	878,392
Less allowance for impairment losses	**37,833**	38,943
	₱1,431,080	₱839,449

Trade receivables and receivable from CBNC are noninterest-bearing and are generally on seven (7)-day to thirty (30)-days' term, except for the usage fee billed to THNC which is collected on a semi-annual basis.

Notes receivable pertains to the loan granted by the Parent Company to EPI, a related party, in August, November and December 2014.

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.

Advances to officers and employees are noninterest-bearing and are generally subject to liquidation or collected through salary deduction.

Interest receivable is derived from short-term cash investments and cash held in escrow placed in various local banks, which is collectible upon maturity, and from AFS debt securities, cash held in escrow and long-term negotiable instrument which are collectible quarterly or semi-annually.

Amounts owed by related parties are noninterest-bearing with no fixed maturities and are generally collectible on demand.

Other receivables include advances to third party companies which are non-interest bearing with no fixed maturities and are generally collectible on demand. These also include despatch receivables which are generally on seven (7)-day to thirty (30)-days' terms, and advances to claimowners which are deductible from the royalty payments from ore shipments.

The Group has US$ denominated trade and other receivables amounting to US$17.3 million, equivalent to ₱775.3 million, and US$11.5 million, equivalent to ₱538.1 million, as at December 31, 2014 and 2013, respectively (see Note 34).

TMC has written-off its receivable amounting to ₱3.1 million in 2014 (see Note 29).

Movements of allowance for impairment losses as at December 31, 2014 and 2013 are as follows:

2014	**Trade**	**Others**	**Total**
Balances at January 1	**₱26,150**	**₱12,793**	**₱38,943**
Write-off	**(1,226)**	**–**	**(1,226)**
Reversal (see Note 29)	**–**	**(19)**	**(19)**
Foreign exchange adjustments	**135**	**–**	**135**
Balances at December 31	**₱25,059**	**₱12,774**	**₱37,833**

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

6. Inventories

	2014	2013
Beneficiated nickel ore and limestone ore - at cost	**₱2,087,087**	₱1,188,354
Beneficiated nickel ore - at NRV	**268,994**	343,559
Materials and supplies:		
At NRV	**306,075**	253,631
At cost	**60,406**	70,469
Current portion of long-term stockpile inventory (see Note 12)	**140,619**	188,456
	₱2,863,181	₱2,044,469

Movements of allowance for inventory losses as at December 31, 2014 and 2013 are as follow:

2014	**Beneficiated nickel ore**	**Materials and supplies**	**Total**
Balances at January 1	**₱333,653**	**₱40,603**	**₱374,256**
Provisions (see Note 29)	**–**	**5,394**	**5,394**
Reversals (see Note 29)	**(225,995)**	**–**	**(225,995)**
Balances at December 31	**₱107,658**	**₱45,997**	**₱153,655**

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

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱376.7 million and ₱677.2 million as at December 31, 2014 and 2013, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱352.1 million and ₱294.2 million as at December 31, 2014 and 2013, respectively.

Costs of inventories charged as expense amounted to ₱5,803.9 million, ₱4,849.5 million and ₱4,775.6 million in 2014, 2013 and 2012, respectively (see Notes 20, 21 and 22).

7. AFS Financial Assets

	2014	2013
Quoted instruments:		
Debt securities	**₱2,104,285**	₱1,207,033
Equity securities	**506,028**	313,161
Unquoted equity securities	**194,116**	918,744
	2,804,429	2,438,938
Less noncurrent portion	**522,797**	1,181,568
	₱2,281,632	₱1,257,370

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 as at December 31, 2014 and 2013 are as follows:

	2014	2013
Balances at January 1	**₱2,438,938**	₱2,128,038
Additions	**1,397,019**	374,074
Disposals	**(407,234)**	(109,713)
Reclassification (Note 11)	**(724,410)**	–
Effect of changes in foreign exchange rate (see Note 29)	**3,310**	860
Valuation gains on AFS financial assets	**96,806**	45,679
Balances at December 31	**₱2,804,429**	₱2,438,938

The movements in "Net valuation gains on AFS financial assets" presented as a separate component of equity follow:

	2014	2013
Balances at January 1	**₱99,506**	₱65,199
Movements recognized in equity:		
Gains recognized in equity	**105,285**	52,987
Reclassification adjustments for income included in the consolidated statements of income (see Notes 27 and 28)	**(8,479)**	(7,308)
Income tax effect	**(22,649)**	(15,636)
Valuation gains taken into the consolidated statements of comprehensive income	**74,157**	30,043
NCI in losses (gains) recognized in equity	**(2,341)**	4,264
Balances at December 31	**₱171,322**	₱99,506

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, and golf club shares and debt securities. As at December 31, 2014 and 2013, quoted and unquoted debt and equity securities amounting to ₱2,281.6 million and ₱1,257.4 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 ₱522.8 million and ₱1,181.6 million as at December 31, 2014 and 2013, respectively. As at December 31, 2014 and 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 ₱6.5 million, ₱62.7 million and ₱192.7 million in 2014, 2013 and 2012, respectively, of which nil, ₱60.5 million and ₱191.9 million relates to dividends coming from investments in unquoted equity securities (see Note 29), while interest income from AFS debt securities amounted to ₱16.6 million, ₱12.0 million and ₱20.7 million in 2014, 2013 and 2012, respectively (see Note 27).

The valuation gains of ₱74.2 million and ₱30.0 million is inclusive of share of NCI amounting to a valuation gain of ₱2.3 million and valuation loss of ₱4.3 million as at December 31, 2014 and 2013, respectively.

The Group uses the specific identification method in determining the cost of securities sold.

The Group has US$ denominated AFS financial assets amounting to US$18.6 million, equivalent to ₱831.4 million, and US$17.1 million, equivalent to ₱757.5 million, as at December 31, 2014 and 2013, respectively (see Note 34).

No impairment loss was recognized on the Group's AFS unquoted equity securities in 2014 and 2013.

8. Prepayments and Other Current Assets

	2014	2013
Short-term cash investment	**₱200,000**	₱–
Input tax	**103,065**	106,050
Prepaid taxes	**92,826**	69,744
Prepaid rent and others	**27,800**	11,459
Prepaid insurance	**20,182**	27,398
Tax credit certificates (net of allowance for impairment losses of ₱0.5 million as at December 31, 2014 and 2013)	**13,524**	3,517
Advances and deposits	**10,869**	7,244
Derivative asset (Note 31f)	**5,508**	–
	₱473,774	₱225,412

Short-term cash investment pertains to a local currency denominated cash placed in a 360-day peso time deposit with interest rate of 1.75% per annum (p.a.) in 2014. Interest income from this short-term cash investment amounted to ₱1.6 million in 2014 (see Note 27).

Input tax represents the value-added tax (VAT) paid on purchases of applicable goods and services 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 (BOC).

Prepaid taxes represent certificates of creditable withholding taxes for services rendered to other parties which can be recovered as tax credits against certain future tax liabilities of the Group.

Other prepayments are amortized within three (3) to twelve (12) months at the end of the reporting period.

Tax credit certificates are tax refunds received by the Group.

Advances and deposits are payments to suppliers before the receipt of goods and services.

9. Property and Equipment

	2014					
	Land and Land Improvements	**Mining Properties and Development Costs**	**Machinery and Equipment**	**Buildings and Improvements**	**Construction In-progress**	**Total**
Cost:						
Balances at January 1	**₱254,290**	**₱469,179**	**₱7,455,908**	**₱2,646,872**	**₱807,490**	**₱11,633,739**
Additions	**–**	**–**	**717,469**	**111,197**	**728,406**	**1,557,072**
Transfers/reclassification	**23,280**	**–**	**825,271**	**142,910**	**(1,002,679)**	**(11,218)**
Disposals	**–**	**–**	**(368,158)**	**–**	**–**	**(368,158)**
Balances at December 31	**277,570**	**469,179**	**8,630,490**	**2,900,979**	**533,217**	**12,811,435**
Accumulated depreciation, amortization and depletion:						
Balances at January 1	**–**	**203,366**	**4,101,424**	**743,197**	**–**	**5,047,987**
Depreciation, amortization and depletion (see Note 26)	**582**	**13,936**	**1,156,219**	**202,597**	**–**	**1,373,334**
Transfers/reclassification	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(307,366)**	**–**	**–**	**(307,366)**
Balances at December 31	**582**	**217,302**	**4,950,277**	**945,794**	**–**	**6,113,955**
Allowance for impairment losses (see Note 29)	**–**	**–**	**98,487**	**–**	**–**	**98,487**
Net book values	**₱276,988**	**₱251,877**	**₱3,581,726**	**₱1,955,185**	**₱533,217**	**₱6,598,993**

	2013					
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost:						
Balances at January 1	₱252,459	₱469,179	₱6,489,158	₱2,343,657	₱346,918	₱9,901,371
Additions	1,831	–	1,049,134	179,898	700,262	1,931,125
Transfers/reclassification	–	–	23,272	193,388	(220,207)	(3,547)
Disposals	–	–	(105,656)	(70,071)	(19,483)	(195,210)
Balances at December 31	254,290	469,179	7,455,908	2,646,872	807,490	11,633,739
Accumulated depreciation, amortization and depletion:						
Balances at January 1	–	188,801	3,133,704	628,938	–	3,951,443
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	–	203,366	4,101,424	743,197	–	5,047,987
Net book values	₱254,290	₱265,813	₱3,354,484	₱1,903,675	₱807,490	₱6,585,752

Pier facilities (included under “Buildings and improvements”) with a carrying value of ₱112.7 million and ₱150.3 million as at December 31, 2014 and 2013, respectively, were mortgaged as collateral for the long-term debt of RTN (see 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 2014, 2013 and 2012.

In 2014, TMC recognized provision for impairment losses on its machinery and equipment amounting to ₱98.5 million. The impairment is related to the head end of the conveyor which has become inoperational last September 1, 2014 (see Note 29).

10. **Investment Properties**

	2014	2013
Cost:		
Balances at January 1	**₱29,000**	₱142,151
Disposals	**–**	(112,491)
Reclassification	**–**	(660)
Balances at December 31	**29,000**	29,000
Accumulated depreciation:		
Balances at January 1	**–**	69,960
Depreciation (see Note 26)	**–**	2,050
Disposals	**–**	(72,010)
Balances at December 31	**–**	–
Net book values	**₱29,000**	₱29,000

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 2014, 2013 and 2012 amounting to nil, ₱6.0 million and ₱11.7 million, respectively, are included under "Services and others" in the consolidated statements of income. In 2014, 2013 and 2012, the direct operating expenses incurred amounting to nil, ₱0.8 million and ₱6.6 million, respectively, were included in "General and administrative expenses" (see Note 24).

In 2013, investment properties consist of condominium units rented out as office spaces with carrying amount of ₱40.5 million were sold for ₱185.6 million resulting to a gain of ₱145.1 million (see Note 29).

The fair value of the land approximates its carrying value as at December 31, 2014 and 2013.

11. **Investments in Associates**

	2014	2013
THNC	**₱4,468,336**	₱4,112,126
CBNC	**835,704**	–
	₱5,304,040	₱4,112,126

Movements in the investments in associates as at December 31, 2014 and 2013 are as follows:

	2014			2013		
	THNC	**CBNC**	**Total**	THNC	CBNC	Total
Acquisition cost	**₱4,443,075**	**₱724,410**	**₱5,167,485**	₱4,443,075	₱–	₱4,443,075
Accumulated equity in net earnings (losses):						
Balances at January 1	**(501,940)**	**–**	**(501,940)**	(317,237)	–	(317,237)
Equity in net income (losses)	**324,500**	**197,880**	**522,380**	(184,703)	–	(184,703)
	(177,440)	**197,880**	**20,440**	(501,940)	–	(501,940)
Share in cumulative translation adjustment:						
Balances at January 1	**170,991**	**–**	**170,991**	(136,909)	–	(136,909)
Movement	**31,710**	**(86,586)**	**(54,876)**	307,900	–	307,900
	202,701	**(86,586)**	**116,115**	170,991	–	170,991
Balances as at December 31	**₱4,468,336**	**₱835,704**	**₱5,304,040**	₱4,112,126	₱–	₱4,112,126

The balance of investments in associates includes goodwill of ₱105.4 million as at December 31, 2014 and 2013, while the share in cumulative translation adjustment of associates are gross of deferred income tax liability of ₱34.0 million and ₱30.8 million, respectively (see Note 33).

THNC

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 Stockholders' 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 twenty-two and a half percent (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, 2014 and 2013. THNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱44.72 and US$1 = ₱44.40 as at December 31, 2014 and 2013, respectively, for assets and liabilities accounts, and historical rates for equity accounts and average rate of US$1 = ₱44.39 and US$1 = ₱42.43 for the statements of income accounts in 2014 and 2013, respectively.

	2014	2013
Current assets	**₱6,870,896**	₱6,832,282
Noncurrent assets	**69,661,595**	67,420,451
Current liabilities	**(12,522,959)**	(1,396,830)
Noncurrent liabilities	**(44,618,607)**	(55,048,137)
Net assets	**₱19,390,925**	₱17,807,766
Income	**₱15,821,955**	₱840,429
Expenses	**(14,379,732)**	(1,661,333)
Net income (loss)	**₱1,442,223**	(₱820,904)

CBNC

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

The Parent Company acquired its ten percent (10%) direct ownership in CBNC by way of property dividend distributed by RTN in March 2014. In accordance with the provisions of PAS 28 (2011) and due to the change in the nature of the Group's involvement in CBNC, the Group evaluates various factors and assessed that significant influence exists. The Group reclassified its ten percent (10%) interest in CBNC amounting to ₱724.4 million from an AFS financial asset to an investment in associate.

The following are the summarized financial information of CBNC as at December 31, 2014. CBNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱44.72 as at December 31, 2014 for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱44.39 for the statement of income accounts for the year then ended.

	2014
Current assets	**₱4,928,354**
Noncurrent assets	**23,490,170**
Current liabilities	**(1,617,002)**
Noncurrent liabilities	**(154,800)**
Net assets	**₱26,646,722**
Income	**₱14,702,120**
Expenses	**(12,063,714)**
Net income	**₱2,638,406**

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 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 in August 2006 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 cost of long-term stockpile inventory amounting to ₱216.5 million, ₱235.2 million and ₱133.0 million were charged to "Cost of sales" in 2014, 2013 and 2012, respectively (see Note 20).

A portion amounting to ₱140.6 million and ₱188.5 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, 2014 and 2013, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱812.8 million and ₱981.5 million as at December 31, 2014 and 2013, respectively.

13. **Other Noncurrent Assets**

	2014	2013
Input tax - net of current portion	**₱442,785**	₱448,466
Deferred mine exploration costs	**209,227**	197,028
MRF	**182,431**	125,467
Advances to claimowners (see Note 36e)	**103,588**	94,421
Deposit for aircraft acquisition	**98,754**	98,924
Advance royalties (see Note 36e)	**89,497**	141,501
Cash held in escrow (see Note 4)	**45,112**	65,118
Long-term negotiable instrument	**30,000**	30,000
SDMP fund	**19,947**	16,999
Pension asset (see Note 32)	**6,090**	–
Others	**15,125**	20,861
	1,242,556	1,238,785
Less allowance for impairment losses	**145,675**	160,645
	₱1,096,881	₱1,078,140

Movements of allowance for impairment losses in 2014 and 2013 follow:

2014	**Advances to claimowners**	**Deferred mine exploration costs**	**Total**
Balances at January 1	**₱16,490**	**₱144,155**	**₱160,645**
Write-off	**(16,490)**	**–**	**(16,490)**
Provisions (see Note 29)	**–**	**1,520**	**1,520**
Balances at December 31	**₱–**	**₱145,675**	**₱145,675**

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

Input tax represents the 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 BIR and/or the Philippine BOC.

Deferred mine exploration costs include mining rights of ₱32.3 million as at December 31, 2014 and 2013.

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 (DENR) 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.

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).

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.

Advance royalties pertain to royalty payments to Government.

Cash held in escrow represents proceeds from the IPO and are restricted as to withdrawal for specified purpose as determined in the prospectus submitted with the SEC. Interest income earned from cash held in escrow in 2014, 2013 and 2012 amounted to ₱0.5 million, ₱0.8 million and ₱2.7 million, respectively (see Note 27).

The long-term negotiable instrument earns interest at 5.25% p.a. and will mature in October 2019. Interest income earned from long-term negotiable instrument amounted to ₱1.3 million in 2014 and 2013 (see Note 27).

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 (10) 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).

Others include various security deposits and deposit to suppliers.

14. Trade and Other Payables

	2014	2013
Trade (see Note 31)	**₱715,012**	₱483,642
Accrued expenses:		
Related party (see Note 31)	**269,321**	201,673
Third parties	**43,639**	39,549
Government payables:		
Withholding taxes payable	**302,765**	50,700
Excise taxes and royalties payable	**62,448**	87,180
Fringe benefit taxes (FBT) payable	**49,655**	158
Output VAT	**3,814**	3,584
Documentary stamp taxes (DST) payable	**3,168**	–
Interest payable	**6,309**	6,959
Amounts owed to a related party (see Note 31)	**2,520**	2,016
Retention payable	**564**	34,168
Others	**23,425**	18,484
	₱1,482,640	₱928,113

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled in less than thirty (30) days' term. Trade payables relate to payables to suppliers in the ordinary course of business. Accrued expenses substantially consist of contractor's fees, trucking and stevedoring services, hauling and rental expenses, guarantee service fees and others which are usual in the business operations of the Group.

Government payables include withholding taxes which are normally settled within ten (10) days after the end of each reporting month and FBT which are normally settled within fifteen (15) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties. DST is normally settled within five (5) days after the close of the month when the taxable document was issued.

Interest payable on loans is settled based on the agreed repayment terms.

Amounts owed to a related party pertain to dividends declared by the Parent Company to Nickel Asia Holdings Inc. (NAHI), a stockholder.

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. In 2014, the conveyor system was completed and the corresponding retention payable was paid.

The Group has US$ denominated trade and other payables amounting to US$1.5 million, equivalent to ₱67.9 million, and US$1.4 million, equivalent to ₱63.4 million as at December 31, 2014 and 2013, respectively (see Note 34).

15. **Long-term Debt**

	2014	2013
TMC	**₱1,291,290**	₱1,359,597
RTN	**140,242**	179,000
	1,431,532	1,538,597
Less noncurrent portion:		
TMC	**1,213,030**	1,281,906
RTN	**100,173**	139,222
	1,313,203	1,421,128
Current portion	**₱118,329**	₱117,469

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to US$35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 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, 2014 and 2013, the total loan drawn down by TMC amounted to US$35.0 million.

Starting 2011, 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 US$0.9 million starting on October 10, 2011 up to April 10, 2031.

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any Governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all Governmental approvals necessary to perform the obligations. As at December 31, 2014 and 2013, TMC is in compliance with the restrictions.

Interest expense in 2014, 2013 and 2012 amounting to ₱31.3 million, ₱33.5 million and ₱38.1 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 21).

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 a 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 Agreements (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, 2014 and 2013, RTN is in compliance with the restrictions.

Interest expense amounted to ₱3.7 million, ₱4.8 million and ₱6.5 million in 2014, 2013 and 2012, respectively (see Note 28).

16. Provision for Mine Rehabilitation and Decommissioning

	2014	2013
Balances at January 1	**₱130,927**	₱132,522
Payments of rehabilitation cost	**(10,401)**	(10,149)
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 28)	**8,893**	8,554
Effect of change in estimate	**756**	–
Balances at December 31	**₱130,175**	₱130,927

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.

17. Equity

Capital Stock

The capital structure of the Parent Company as at December 31, 2014 and 2013 is as follows:

	2014	2013
Common stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares		
Issued - 2,530,590,350 shares in 2014 and 2,519,159,345 in 2013	**₱1,265,295**	₱1,259,580
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
	₱1,272,495	₱1,266,780

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

Movements in common stock follow:

	2014	
	Number of Shares	**Amount**
Balances at January 1	**2,519,159,345**	**₱1,259,580**
Issuance of stock dividends	**–**	**–**
Exercise of stock options (see Note 18)	**11,431,005**	**5,715**
Balances at December 31	**2,530,590,350**	**₱1,265,295**

	2013	
	Number of Shares	Amount
Balances at January 1	2,013,476,263	₱1,006,738
Issuance 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

On June 16, 2010, the BOD and stockholders of the Parent Company approved the ESOP (2010 ESOP; the Plan). On December 20, 2010, the Plan was approved by the SEC. A total of 12.0 million shares of stock were reserved for issue under the Plan.

On March 14, 2014, the BOD of the Parent Company approved the adoption of a new ESOP (2014 ESOP; the New Plan) which was ratified by the Parent Company's stockholders on June 6, 2014. On November 21, 2014, the New Plan was approved by the SEC. A total of 32.0 million shares of stock were reserved for issue under the New Plan.

Basic terms and conditions of the stock option plans are disclosed in Note 18.

<u>Issued Capital Stock</u>
The IPO of the Parent Company's shares with an offer price of ₱15.00 per share, which is equivalent to ₱5.33 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), 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, 2014 and 2013, the Parent Company has fifty four (54) and forty-five (45) stockholders, respectively.

As at December 31, 2014 and 2013, a total of 495,443,935 or 20% and 803,135,234 or 32%, respectively, of the outstanding common shares of the Parent Company are registered in the name of fifty-two (52) and forty-three (43) shareholders, respectively, while the balance of 2,035,146,415 common shares or 80% and 1,716,024,111 common shares or 68%, respectively, are lodged with the Philippine Depository, Inc. (now known as Philippine Depository and Trust Corporation).

Dividends
Dividends declared and paid by the Parent Company follow:

2014					
Type of Dividend	**Date of declaration**	**Date of record**	**Amount declared**	**Dividend per share**	**Date of payment/issuance**
Cash Dividends					
Special	**November 10, 2014**	**November 24, 2014**	**₱1,264,000**	**₱0.50**	**December 10, 2014**
Regular	**March 24, 2014**	**April 10, 2014**	**757,727**	**0.30**	**May 8, 2014**
Stock Dividends	**December 18, 2014**	**January 12, 2015**	**632,648**	**50%**	**January 28, 2015**

2013					
Type of Dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment/issuance
Regular Cash Dividend	April 5, 2013	April 22, 2013	₱705,252	₱0.35	May 14, 2013
Stock Dividends	June 3, 2013	June 18, 2013	251,916	25%	July 12, 2013

2012					
Type of Dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment/issuance
Regular Cash Dividend	March 28, 2012	April 16, 2012	₱1,073,452	₱0.80	May 11, 2012
Stock Dividends	June 8, 2012	August 29, 2012	335,579	50%	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

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

1. The New Plan covers up to 32.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱25.52, which is equivalent to ₱17.01 after the stock dividends.
4. The grant date of the New Plan is June 6, 2014 as determined by the Compensation Committee.
5. The term of the New Plan shall be five (5) years and the shares will vest to the participant at the rate of twenty-five percent (25%) after the first year of the New Plan or June 6, 2015.
6. The participant can exercise the vested options by giving notice within the term of the New Plan, and can opt to either purchase the shares at the exercise price or request the Parent

Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

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

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

1. The Plan covers up to 12.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with a position of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱13.50, which is equivalent to ₱4.80 after the stock dividends.
4. The grant date of the Plan is January 3, 2011 as determined by the Compensation Committee.
5. The term of the Plan shall be six (6) years and the shares will vest to the participant at the rate of twenty five-percent (25%) per year after the first year of the Plan or December 21, 2011.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The stock option agreement was made and executed on January 3, 2011 between the Parent Company and the option grantees. The fair value of the stock options is ₱6.44, which was estimated as at grant date, January 3, 2011, using the Black Scholes-Merton model, taking into account the terms and conditions upon which the options were granted.

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

	2014 ESOP	2010 ESOP
Grant Date	June 6, 2014	January 3, 2011
Spot price per share	₱28.55	₱15.00
Exercise price	₱25.52	₱13.50
Expected volatility	33.28%	53.42%
Option life	5.00 years	3.97 years
Dividend yield	3.88%	2.06%
Risk-free rate	3.30%	4.50%

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

Except for the effect of stock dividends, there have been no modifications or cancellations in 2014 and 2013.

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

	Number of Options		Weighted Average Exercise Price	
	2014	2013	**2014**	2013
2014 ESOP				
Granted	**17,764,849**	–	**₱25.52**	₱–

	Number of Options		Weighted Average Exercise Price	
	2014	2013	**2014**	2013
2010 ESOP				
January 1	**15,150,313**	13,971,473	**₱7.20**	₱9.00
Exercised (see Note 17)	**(11,431,005)**	(1,851,218)	**7.20**	9.00
Stock dividends	**–**	3,030,058	**–**	7.20
December 31	**3,719,308**	15,150,313	**₱7.20**	₱7.20

After the effect of the stock dividends, the weighted average exercise price of 2014 ESOP and 2010 ESOP is equivalent to ₱17.01 and ₱4.80 per share, respectively.

In 2013, the number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) stock dividends (see Note 17).

On September 2, 2013, the SEC approved the exemption from registration of 3,030,058 common shares which shall form part of the ESOP.

The number of exercisable vested stock options as at December 31, 2014 and 2013 are 3,719,308 and 9,851,885, respectively.

In 2014 and 2013, the weighted average stock price at exercise dates was ₱28.84 and ₱26.62 per share, respectively, which is equivalent to ₱19.23 and ₱14.20 per share, respectively, after the effect of stock dividends.

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

	2014	2013
Balances at January 1	**₱49,524**	₱57,464
Cost of share-based payment recognized as capital upon exercise	**(45,464)**	(18,309)
Stock option expense (see Note 25)	**43,000**	10,369
Movements during the year	**(2,464)**	(7,940)
Balances at December 31	**₱47,060**	₱49,524

The weighted average remaining contractual life of options outstanding under the New Plan is approximately four and a half (4.5) years as at December 31, 2014.

The weighted average remaining contractual life of options outstanding under the Plan is one and a half (1.5) years and two and a half (2.5) years as at December 31, 2014 and 2013, respectively.

In 2014, 2013 and 2012, the cost of share-based payment plan amounted to ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively (see Note 25).

19. **Earnings Per Share**

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

	2014	2013	2012
Net income attributable to equity holders of the parent	**₱8,551,627**	₱2,053,674	₱2,207,210
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**8,551,123**	2,053,170	2,206,706
Dividends on dilutive potential ordinary shares	**–**	–	474
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱8,551,123**	₱2,053,170	₱2,206,232
Weighted average number of common shares for basic EPS	**3,789,494,956**	3,777,821,108	3,773,742,315
Effect of dilution from stock options	**11,166,294**	7,887,749	3,391,331
Weighted average number of common shares adjusted for the effect of dilution	**3,800,661,250**	3,785,708,857	3,777,133,646
Basic EPS	**₱2.26**	₱0.54	₱0.58
Diluted EPS	**₱2.25**	₱0.54	₱0.58

The effect of the stock dividends distributable, which are outstanding as at December 31, 2014 and were issued on January 28, 2015, has been considered in the computation of weighted average number of common shares for both basic and diluted EPS. There are 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**

	2014	2013	2012
Production overhead	**₱2,613,048**	₱1,938,349	₱1,986,973
Outside services	**1,246,424**	869,379	1,194,218
Depreciation and depletion (see Note 26)	**984,366**	830,512	615,090
Personnel costs (see Note 25)	**894,205**	669,699	614,390
Long-term stockpile inventory (see Note 12)	**216,539**	235,169	132,997
	5,954,582	4,543,108	4,543,668
Net changes in beneficiated nickel ore and limestone ore	**(598,171)**	(53,814)	(76,453)
	₱5,356,411	₱4,489,294	₱4,467,215

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

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

21. Cost of Services

	2014	2013	2012
Depreciation and depletion (see Note 26)	**₱129,502**	₱133,040	₱100,726
Personnel costs (see Note 25)	**84,316**	63,836	36,869
Overhead	**78,384**	49,962	15,575
Equipment operating cost (see Note 15)	**62,202**	76,058	78,681
Outside services	**16,746**	12,396	28,548
	₱371,150	₱335,292	₱260,399

Equipment operating cost includes interest expense amounting to ₱31.3 million, ₱33.5 million and ₱38.1 million in 2014, 2013 and 2012, respectively (see Note 15).

22. Shipping and Loading Costs

	2014	2013	2012
Contract fees	**₱1,136,292**	₱801,402	₱857,455
Supplies and fuel, oil and lubricants	**368,735**	294,771	271,266
Depreciation and depletion (see Note 26)	**123,795**	155,810	123,670
Personnel costs (see Note 25)	**65,187**	72,219	61,865
Other services and fees	**143,559**	74,569	86,294
	₱1,837,568	₱1,398,771	₱1,400,550

23. Excise Taxes and Royalties

	2014	2013	2012
Royalties (see Notes 36e and 36j)	**₱1,273,780**	₱439,098	₱485,072
Excise taxes (see Note 36e)	**481,054**	209,510	222,865
	₱1,754,834	₱648,608	₱707,937

24. **General and Administrative**

	2014	2013	2012
Personnel costs (see Note 25)	**₱290,964**	₱230,199	₱173,819
Taxes and licenses	**230,174**	80,474	66,199
Outside services	**103,336**	67,750	62,860
Depreciation (see Note 26)	**87,846**	84,705	84,941
Donations	**49,043**	12,022	458
Transportation and travel	**26,409**	20,246	18,257
Repairs and maintenance	**22,941**	9,528	8,661
Entertainment, amusement and recreation	**16,161**	13,720	13,721
Communications, light and water	**8,634**	11,882	13,458
Others	**121,356**	94,293	85,207
	₱956,864	₱624,819	₱527,581

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**

	2014	2013	2012
Salaries, wages and employee benefits	**₱1,220,569**	₱970,411	₱840,942
Pension liability (see Note 32)	**71,103**	55,173	43,242
Cost of share-based payment plan (see Note 18)	**43,000**	10,369	2,759
	₱1,334,672	₱1,035,953	₱886,943

The amounts of personnel costs are distributed as follows:

	2014	2013	2012
Cost of sales (see Note 20)	**₱894,205**	₱669,699	₱614,390
General and administrative (see Note 24)	**290,964**	230,199	173,819
Cost of services (see Note 21)	**84,316**	63,836	36,869
Shipping and loading costs (see Note 22)	**65,187**	72,219	61,865
	₱1,334,672	₱1,035,953	₱886,943

26. **Depreciation and Depletion**

	2014	2013	2012
Property and equipment (see Note 9)	**₱1,373,334**	₱1,260,601	₱974,382
Investment properties (see Note 10)	**–**	2,050	7,501
	₱1,373,334	₱1,262,651	₱981,883

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

	2014	2013	2012
Cost of sales (see Note 20)	**₱984,366**	₱830,512	₱615,090
Cost of services (see Note 21)	**129,502**	133,040	100,726
Shipping and loading costs (see Note 22)	**123,795**	155,810	123,670
General and administrative (see Note 24)	**87,846**	84,705	84,941
Others	**47,825**	58,584	57,456
	₱1,373,334	₱1,262,651	₱981,883

27. **Finance Income**

	2014	2013	2012
Interest income (see Notes 4, 7, 8,13 and 32)	**₱160,847**	₱159,445	₱226,414
Gain on:			
Sale of AFS financial assets (see Note 7)	**10,684**	7,308	6,490
Accretion income (see Note 31f)	**573**	–	–
Sale of investment funds	**–**	–	2,136
	₱172,104	₱166,753	₱235,040

28. **Finance Expenses**

	2014	2013	2012
Guarantee service fee (see Note 36f)	**₱134,766**	₱104,235	₱83,987
Interest expense (see Notes 15 and 32)	**16,382**	13,242	16,199
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**8,893**	8,554	13,539
Loss on sale of AFS financial assets (see Note 7)	**2,205**	–	–
Day 1 loss (see Note 31f)	**2,123**	–	–
Provision for impairment losses on trade and other receivables (see Note 5)	**–**	2,267	811
	₱164,369	₱128,298	₱114,536

29. **Other Income** - Net

	2014	2013	2012
Foreign exchange gains (losses) - net	**₱182,510**	₱53,293	(₱123,466)
Reversals of allowance for (provisions for):			
Impairment losses on beneficiated nickel ore inventory (see Note 6)	**225,995**	6,361	8,226
Impairment losses on property and equipment (see Note 9)	**(98,487)**	–	–
Impairment losses on input VAT	**–**	(530)	–
Impairment losses on materials and supplies (see Note 6)	**(5,394)**	2,802	–
Impairment losses on deferred mine exploration costs (see Note 13)	**(1,520)**	(144,155)	–
Impairment losses on trade and other receivables (see Note 5)	**19**	4,769	–
Special projects	**84,773**	28,375	79,791
Despatch	**67,296**	49,134	70,567
Issuance of fuel, oil and lubricants	**16,859**	8,209	22,511
Rentals and accommodations	**11,307**	4,209	4,178
Gain (loss) on:			
Write-off of input VAT	**(12,548)**	(6,752)	(5,068)
Sale of property and equipment	**9,693**	82,005	1,369
Write-off of receivables (see Note 5)	**(3,108)**	–	–
Write-off of deferred mine exploration cost	**(1,941)**	–	–
Sale of investment properties (see Note 10)	**–**	145,095	–
Dividend income (see Note 7)	**6,473**	62,654	192,720
Other services	**3,649**	4,766	6,489
Casualty losses	**–**	(7,439)	–
Others - net	**(14,679)**	16,987	42,945
	₱470,897	₱309,783	₱300,262

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:

	2014	2013	2012
Realized foreign exchange gains (losses) - net	**₱93,894**	₱90,798	(₱142,786)
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	**96,095**	77,129	(54,282)
Long-term debt	**(8,258)**	(119,636)	105,793
AFS financial assets (see Note 7)	**3,310**	860	(11,217)
Trade and other receivables	**(2,421)**	4,370	(22,249)
Trade and other payables	**(110)**	(504)	1,181
Others	**–**	276	94
	₱182,510	₱53,293	(₱123,466)

30. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI:

	Principal Place of Business	**2014**	2013
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material NCI:

	2014	2013
RTN	**₱1,040,362**	₱2,297,884
TMC	**2,277,615**	1,677,390

Net income attributable to material NCI:

	2014	2013
RTN	**₱1,136,565**	₱380,490
TMC	**1,326,530**	262,465

Other comprehensive income (loss) attributable to material NCI:

	2014	2013
RTN	**₱12,013**	(₱21,205)
TMC	**7,385**	(15,195)

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, 2014:

	RTN	**TMC**
Revenues	**₱7,188,712**	**₱8,907,493**
Cost of sales and services	**(2,159,076)**	**(1,770,309)**
Operating expenses	**(922,182)**	**(1,753,192)**
Other income (charges) - net	**139,227**	**(13,713)**
Finance income - net	**718,115**	**20,681**
Income before income tax	**4,964,796**	**5,390,960**
Provision for income tax	**(1,276,249)**	**(1,600,873)**
Net income	**3,688,547**	**3,790,087**
Other comprehensive income	**30,033**	**21,101**
Total comprehensive income	**₱3,718,580**	**₱3,811,188**
Attributable to NCI	**₱1,487,432**	**₱1,333,915**
Dividends paid to NCI	**2,745,815**	**735,000**

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 NCI	₱292,940	₱247,270
Dividends paid to NCI	480,000	–

Summarized statements of financial position as at December 31, 2014 and 2013:

	RTN		**TMC**	
	2014	2013	**2014**	2013
Current assets	**₱1,992,178**	₱3,690,031	**₱4,050,179**	₱2,502,364
Noncurrent assets	**1,606,618**	2,621,293	**4,298,935**	4,263,406
Current liabilities	**(881,208)**	(372,054)	**(381,606)**	(414,052)
Noncurrent liabilities	**(116,683)**	(194,561)	**(1,460,036)**	(1,559,176)
Total equity	**₱2,600,905**	₱5,744,709	**₱6,507,472**	₱4,792,542
Attributable to equity holders of parent	**₱1,560,543**	₱3,446,825	**₱4,229,857**	₱3,115,152
NCI	**1,040,362**	2,297,884	**2,277,615**	1,677,390

Summarized cash flow information for the years ended December 31, 2014 and 2013:

	RTN		TMC	
Operating	**₱3,665,698**	₱1,531,539	**₱3,625,536**	₱888,778
Investing	**(190,957)**	(121,040)	**(665,389)**	(1,322,766)
Financing	**(5,483,554)**	(1,244,781)	**(2,209,872)**	(108,874)
Net increase (decrease) in cash and cash equivalents	**(₱2,008,813)**	₱165,718	**₱750,275**	(₱542,862)

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 2014, 2013 and 2012, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2014 and 2013.

	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)			
	2014	2013	2012	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	Terms	Conditions
Stockholders													
Pacific Metals Co., Ltd. (PAMCO)													
Sale of ore and services	**₱4,120,959**	₱1,269,780	₱2,086,909	**₱31,717**	₱5,948	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Draft survey fee	**630**	295	388	**–**	54	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**6,419**	4,447	–	**–**	1,080	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	**262**	–	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Fully collected
SMM													
Sale of ore	**879,528**	192,701	125,687	**2,603**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee	**134,220**	103,351	82,668	**–**	–	**43,639**	39,549	**–**	–	**–**	–	Every twenty first (21) of February, March, August and September	Unsecured
Short-term advances	**–**	1,783	–	**–**	–	**–**	–	**–**	532	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Additional loan facility	**–**	–	–	**–**	–	**–**	–	**–**	–	**140,242**	179,000	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	**21**	100	106	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends payable	**504**	504	504	**–**	–	**2,520**	2,016	**–**	–	**–**	–	Payable 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)			
	2014	2013	2012	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	Terms	Conditions
With Common Stockholders													
Manta Equities, Inc. (MEI)													
Rentals, dues and utilities	**₱25,639**	₱14,190	₱–	**₱–**	₱–	**₱33**	₱1,451	**₱–**	₱–	**₱–**	₱–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**9,350**	9,842	–	**–**	951	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**64**	1,147	28	**–**	–	**–**	–	**3**	83	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
EPI													
Notes receivables	**276,342**	–	–	**276,342**	–	**–**	–	**–**	–	**–**	–	Collectible on agreed pay out date; interest bearing at 2% p.a.	Secured; with collateral
Associates													
CBNC													
Sale of ore and services	**2,087,569**	1,744,600	1,695,491	**203,342**	200,454	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**47,829**	52,455	56,721	**29,418**	23,983	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**60,698**	8,846	40,489	**9,944**	26,066	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**–**	625	–	**–**	–	**–**	–	**–**	63	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
THNC													
Sale of ore	**1,434,220**	237,071	–	**121,305**	75,638	**–**	–	**–**	–	**–**	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**130,310**	125,003	124,702	**31,371**	31,143	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 31a)	**267,504**	124,523	–	**28,106**	42,705	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,703**	6,703	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit	**–**	3,352	–	**–**	–	**3,352**	3,352	**–**	–	**–**	–	Collectible upon end of the lease term; non-interest 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)			
	2014	2013	2012	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	Terms	Conditions
Additional loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱1,291,290**	₱1,359,597	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
Rendering of other service	**2,054**	–	–	**2,054**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**21,621**	22,175	21,446	**–**	–	**–**	–	**4,490**	8,534	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱736,202	₱408,022	**₱49,544**	₱46,368	**₱4,493**	₱9,212	**₱1,431,532**	₱1,538,597		

Terms and Conditions of Transactions with Related Parties
All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2014 and 2013 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
CMC and TMC supply saprolite ore to PAMCO. 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). Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per wet metric ton of ore. PAMCO shall pay the Group eighty percent (80%) to 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, 2014 and 2013 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 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 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, THNC, 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 in 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 sixty-two and a half percent (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 one percent (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 fifty-four percent (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 one percent (1%) of CBNC's outstanding loans obligation.

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 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 2014, 2013 and 2012 amounted to about ₱235.1 million, ₱162.6 million and ₱145.8 million, respectively, inclusive of cost of share-based payment of ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱2.9 million, ₱4.1 million, and ₱5.5 million in 2014, 2013, and 2012, 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 ₱19.2 million, ₱10.1 million and nil in 2014, 2013 and 2012, respectively.

Future minimum rent payable under the lease as at December 31, 2014 and 2013 are as follows:

	2014	2013
Within one (1) year	**₱18,397**	₱17,278
After one (1) year but not more than five (5) years	**48,315**	66,831
	₱66,712	₱84,109

f. Loan to EPI with Conversion Option

On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which is to be drawn in two (2) tranches. The first and second tranche of the loan is ₱105.0 million and ₱446.0 million, respectively, with an interest rate of 2% p.a. The Parent Company may convert the entire second tranche loan into the shares of stock of EPI constituting fifty-five percent (55%) of the total issued and outstanding shares of EPI at any time before the lapse of three hundred sixty five (365) days after the drawdown of the entire second tranche loan. To secure the loan, EPI pledge its shares of stock in Occidental Mindoro Consolidated Power Corporation (OMCP) constituting one hundred percent (100%) of OMCP's issued and outstanding shares. The terms and conditions of the loan agreement are disclosed in Note 36a.

The table below shows the movement of the convertible loan as at December 31, 2014.

	2014
Undiscounted convertible loan	₱283,400
Less:	
Derivative asset (see Note 8)	5,508
Day 1 loss on initial recognition (see Note 28)	3,242
Carrying value on initial recognition	274,650
Add:	
Movement in day 1 loss (see Note 28)	1,119
Accretion of interest (see Note 27)	573
Net carrying value	₱276,342

32. **Pension Liability**

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 liability and pension asset recognized in the consolidated statements of financial position:

	2014	2013
Funded pension liabilities:		
RTN	**₱–**	₱40,187
TMC	**136,502**	164,121
HMC	**20,199**	–
Unfunded pension liabilities:		
NAC	**34,850**	23,214
CMC	**39,787**	31,418
HMC	**–**	20,135
	₱231,338	₱279,075
Funded pension asset:		
RTN (see Note 13)	**₱6,090**	₱–

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 2014, 2013 and 2012 are as follows:

	December 31, 2014													
		Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							
	January 1, 2014	Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contributions	December 31, 2014
RTN	**₱394,228**	**₱25,712**	**₱19,396**	**₱–**	**₱45,108**	**(₱34,344)**	**₱–**	**(₱230)**	**₱7,872**	**(₱28,655)**	**₱–**	**(₱21,013)**	**₱–**	**₱383,979**
TMC	**241,256**	**22,205**	**11,508**	**–**	**33,713**	**(8,618)**	**–**	**–**	**4,864**	**(21,869)**	**–**	**(17,005)**	**–**	**249,346**
HMC	**20,135**	**3,259**	**1,015**	**1,795**	**6,069**	**(1,093)**	**–**	**–**	**2,014**	**(2,725)**	**–**	**(711)**	**–**	**24,400**
Defined benefit liability	**655,619**	**51,176**	**31,919**	**1,795**	**84,890**	**(44,055)**	**–**	**(230)**	**14,750**	**(53,249)**	**–**	**(38,729)**	**–**	**657,725**
RTN	**(354,041)**	**–**	**(17,340)**	**–**	**(17,340)**	**34,344**	**(22,242)**	**–**	**–**	**–**	**–**	**(22,242)**	**(31,141)**	**(390,420)**
TMC	**(77,135)**	**–**	**(4,342)**	**–**	**(4,342)**	**8,618**	**(3,585)**	**–**	**–**	**–**	**–**	**(3,585)**	**(36,400)**	**(112,844)**
HMC	**–**	**–**	**(102)**	**–**	**(102)**	**–**	**–**	**–**	**–**	**(67)**	**–**	**(67)**	**(4,032)**	**(4,201)**
Fair value of plan assets	**(431,176)**	**–**	**(21,784)**	**–**	**(21,784)**	**42,962**	**(25,827)**	**–**	**–**	**(67)**	**–**	**(25,894)**	**(71,573)**	**(507,465)**
RTN	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**351**	**351**	**–**	**351**
TMC	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
HMC	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Restrictions on asset recognized	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**351**	**351**	**–**	**351**
RTN	**40,187**	**25,712**	**2,056**	**–**	**27,768**	**–**	**(22,242)**	**(230)**	**7,872**	**(28,655)**	**351**	**(42,904)**	**(31,141)**	**(6,090)**
TMC	**164,121**	**22,205**	**7,166**	**–**	**29,371**	**–**	**(3,585)**	**–**	**4,864**	**(21,869)**	**–**	**(20,590)**	**(36,400)**	**136,502**
HMC	**20,135**	**3,259**	**913**	**1,795**	**5,967**	**(1,093)**	**–**	**–**	**2,014**	**(2,792)**	**–**	**(778)**	**(4,032)**	**20,199**
Pension liability (asset)	**₱40,187**	**₱25,712**	**₱2,056**	**₱–**	**₱27,768**	**₱–**	**(₱22,242)**	**(₱230)**	**₱7,872**	**(₱28,655)**	**₱351**	**(₱42,904)**	**(₱31,141)**	**(₱6,090)**
Pension liability	**₱184,256**	**₱25,464**	**₱8,079**	**₱1,795**	**₱35,338**	**(₱1,093)**	**(₱3,585)**	**₱–**	**₱6,878**	**(₱24,661)**	**₱–**	**(₱21,368)**	**(₱40,432)**	**₱156,701**

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	Effect of asset Ceiling	Subtotal	Contributions	December 31, 2013
RTN	₱306,001	₱24,601	₱20,715	₱45,316	(₱20,691)	₱–	₱54,110	₱9,492	₱–	₱63,602	₱–	₱394,228
TMC	171,213	21,501	10,769	32,270	(5,206)	–	43,138	(159)	–	42,979	–	241,256
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	19,798	–	–	–	19,798	–	(354,041)
TMC	(69,460)	–	(4,520)	(4,520)	5,206	1,639	–	–	–	1,639	(10,000)	(77,135)
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)	24,601	(3,158)	21,443	–	19,798	54,110	9,492	(7,670)	75,729	–	40,187
TMC	101,753	21,501	6,249	27,750	–	1,639	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

	Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							
	January 1, 2012	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	Effect of asset ceiling	Subtotal	Contributions	December 31, 2012
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 liability (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

Changes in unfunded pension liability as at December 31, 2014, 2013 and 2012 are as follows:

December 31, 2014

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2014	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, 2014
NAC	**₱23,214**	**₱14,447**	**₱1,117**	**₱15,564**	**₱–**	**₱1,373**	**(₱2,692)**	**(₱2,609)**	**(₱3,928)**	**₱34,850**
CMC	**31,418**	**3,685**	**1,480**	**5,165**	**(2,036)**	**(1,636)**	**(3,503)**	**10,379**	**5,240**	**39,787**
Pension liability	**₱54,632**	**₱18,132**	**₱2,597**	**₱20,729**	**(₱2,036)**	**(₱263)**	**(₱6,195)**	**₱7,770**	**₱1,312**	**₱74,637**

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	24,986	2,943	1,579	4,522	(648)	(4,428)	5,794	1,192	2,558	31,418
HMC	9,794	1,746	648	2,394	–	–	2,783	5,164	7,947	20,135
Pension liability	₱34,780	₱9,071	₱2,227	₱11,298	(₱648)	(₱4,428)	₱8,577	₱25,188	₱29,337	₱74,767

December 31, 2012

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2012	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
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

The main categories of plan assets as a percentage of the fair value of total plan assets follow:

2014	**RTN**	**TMC**	**HMC**
Fixed income securities	**59.58%**	**74.12%**	**64.95%**
Investments in shares of stock	**14.95%**	**4.67%**	**15.66%**
Others	**25.47%**	**21.21%**	**19.39%**
	100.00%	**100.00%**	**100.00%**

2013	RTN	TMC	HMC
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%	–

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:

2014	**NAC**	**RTN**	**TMC**	**HMC**	**CMC**
Discount rate	**5.68%**	**5.76%**	**5.41%**	**5.70%**	**5.39%**
Expected salary increase rate	**5.00%**	**5.00%**	**10.00%**	**5.00%**	**5.00%**

2013	NAC	RTN	TMC	HMC	CMC
Discount rate	4.81%	6.40%	4.77%	5.04%	4.71%
Expected 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%
Expected salary increase rate	–	5.00%	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)	**2014**	2013
Discount rates	+100 basis points	**(₱69,178)**	(₱68,433)
	-100 basis points	**83,510**	81,796
Salary increase rate	+100 basis points	**₱74,004**	₱72,534
	-100 basis points	**(63,184)**	(62,379)

As at March 27, 2015, the Group has not yet reasonably determined the amount of 2015 contributions to the retirement fund.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Within the next twelve (12) months	**₱89,746**	₱36,433
Between two (2) and five (5) years	**187,308**	189,260
Between six (6) and ten (10) years	**339,706**	300,137
Total expected payments	**₱616,760**	₱525,830

The average duration of the pension liability as at December 31, 2014 and 2013 is 14.3 years and 11.8 years, respectively.

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, RTN, CMC and LCSLC, Gross Income Tax (GIT) of TMC and RTN and Minimum Corporate Income Tax (MCIT) of NAC and CEXCI in 2014, RCIT of HMC, TMC, RTN, GIT of TMC and RTN and MCIT of NAC, CMC and LCSLC in 2013 and RCIT of HMC, TMC and RTN, GIT of TMC and RTN and MCIT of CMC and CEXCI in 2012, as follows:

	2014	2013	2012
TMC	**₱1,623,117**	₱345,837	₱399,002
RTN	**1,287,084**	321,338	424,336
HMC	**736,995**	487,825	428,994
CMC	**585,702**	7,819	11,936
LCSLC	**24,668**	111	–
NAC	**7,899**	6,574	–
CExCI	**3**	–	2
	₱4,265,468	₱1,169,504	₱1,264,270

SNMRC and FEI were in a gross and net taxable loss positions in 2014, 2013 and 2012.

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 income tax rates as shown in the consolidated statements of income follow:

	2014	2013	2012
Income tax at statutory rates from non-Philippine Export Zone Authority (PEZA) registered activities	**₱7,444,358**	₱1,785,374	₱1,899,359
Income tax at statutory rates from PEZA registered activities	**448**	(4,554)	4,729
Add (deduct) tax effects of:			
Dividend income exempt from income tax	**(2,706,217)**	(534,152)	(732,575)

(Forward)

	2014	2013	2012
Add (deduct) tax effects of:			
Gain on revaluation of AFS financial asset	**(₱208,294)**	₱–	₱–
Benefits from availment of optional standard deduction	**(80,089)**	(56,877)	(62,861)
Movements in deductible temporary differences for which deferred income taxes were recognized	**(68,349)**	(73,938)	(43,111)
Realized benefit from ESOP exercised	**(65,505)**	–	–
Interest income subjected to final tax	**(47,373)**	(46,249)	(63,248)
Application of unrecognized deferred income tax asset on net operating loss carry over (NOLCO)	**–**	(16,915)	–
Nondeductible expenses	**17,029**	13,032	169,550
Derecognized deferred income tax assets	**–**	–	188,184
Change in unrecognized deferred income tax assets	**(530)**	23,210	4,876
Expired NOLCO and excess of MCIT over RCIT	**10,826**	37,767	1,496
Others	**(3,477)**	(2,483)	(31,701)
Income tax at effective rates	**₱4,292,827**	₱1,124,215	₱1,334,698

The components of the Group’s net deferred income tax assets and liabilities follow:

	2014	2013
Deferred income tax assets:		
NOLCO	**₱83,502**	₱135,139
Allowance for:		
Inventory losses	**46,097**	112,276
Impairment losses on property and equipment and deferred mine exploration costs	**31,053**	1,507
Impairment losses on trade and other receivables	**8,482**	8,903
Impairment losses on advances to claimowners	**–**	4,947
Pension liability	**74,689**	83,722
Valuation gains on AFS financial assets	**(59,376)**	(36,727)
Unrealized foreign exchange gains - net	**(37,280)**	(23,918)
Provision for mine rehabilitation and decommissioning	**36,100**	25,123

(Forward)

	2014	2013
Excess of MCIT over RCIT	**₱14,474**	₱26,330
Costs of share-based payment plan	**13,308**	3,028
Deferred income	**3,790**	3,999
Undepleted asset retirement obligation	**(11,760)**	(1,827)
Accrued SDMP costs	**174**	1,003
Others	**4,714**	938
	₱207,967	₱344,443
Deferred income tax liabilities:		
Long-term stockpile inventory	**₱286,067**	₱351,029
Asset revaluation surplus	**101,022**	104,409
Share in cumulative translation adjustment (see Note 11)	**33,961**	30,790
	₱421,050	₱486,228

The Group did not recognized deferred income tax asset on the following temporary differences since the management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the deferred income tax assets can be utilized in the future.

	2014	2013
NOLCO	**₱77,025**	₱79,892
Allowance for impairment losses	**19,089**	19,087
Excess of MCIT over RCIT	**5**	132
Others	**20**	14
	₱96,139	₱99,125

As at December 31, 2014 and 2013, the Group, except for FEI, has NOLCO and excess of MCIT over RCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

		NOLCO		Excess of MCIT over RCIT	
Year Incurred	Year of Expiration	**2014**	2013	**2014**	2013
2014	2017	**₱30,861**	₱–	**₱7,902**	₱–
2013	2016	**24,337**	27,253	**6,575**	14,503
2012	2015	**299,421**	402,125	**2**	11,938
2011	2014	–	99,994	–	21
		₱354,619	₱529,372	**₱14,479**	₱26,462

As at December 31, 2014 and 2013, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

		NOLCO	
Year Incurred	Year of Expiration	**2014**	2013
2013	2018	**₱272**	₱272
2012	2017	**267**	267
2011	2016	**208**	208
2009	2014	–	238
		₱747	₱985

Movements in NOLCO are as follow:

	2014	2013
Balances at January 1	**₱530,357**	₱1,291,186
Additions	**30,861**	27,525
Applications	**(169,834)**	(90,811)
Expirations	**(36,018)**	(697,543)
Balances at December 31	**₱355,366**	₱530,357

Movements in excess of MCIT over RCIT are as follow:

	2014	2013
Balances at January 1	**₱26,462**	₱11,959
Additions	**7,902**	14,503
Applications	**(19,864)**	–
Expirations	**(21)**	–
Balances at December 31	**₱14,479**	₱26,462

34. Financial Risk Management Objectives and Policies and Capital Management

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, derivative asset and short-term cash investment which are under "Prepayments and other current assets", 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 the impaired trade and other receivables, the Group assessed the loans and receivables as collectible and in good standing.

In managing credit risk on 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, derivative asset and short-term cash investment under "Prepayments and other current 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, 2014 and 2013 are summarized in the following tables:

2014	**Neither Past Due Nor Impaired (High)**	**Past Due But Not Impaired (30-180 days)**	**Past Due and Individually Impaired**	**Total**
Cash and cash equivalents	**₱13,550,570**	**₱–**	**₱–**	**₱13,550,570**
Cash with banks	1,217,979	–	–	1,217,979
Short-term cash investments	12,332,591	–	–	12,332,591
Trade and other receivables	**1,205,179**	**107,736**	**34,249**	**1,347,164**
Trade	756,101	98,817	25,058	879,976
Notes receivable	276,342	–	–	276,342
Receivable from CBNC	30,443	8,919	–	39,362
Interest receivable	24,723	–	–	24,723
Amounts owed by related parties	4,493	–	–	4,493
Others	113,077	–	9,191	122,268
Prepayments and other current assets	**205,508**	**–**	**–**	**205,508**
Short-term cash investment	200,000	–	–	200,000
Derivative asset	5,508	–	–	5,508
AFS financial assets	**2,804,429**	**–**	**–**	**2,804,429**
Quoted debt securities	2,104,285	–	–	2,104,285
Quoted equity securities	506,028	–	–	506,028
Unquoted equity securities	194,116	–	–	194,116
Other noncurrent assets	**277,490**	**–**	**–**	**277,490**
MRF	182,431	–	–	182,431
Cash held in escrow	45,112	–	–	45,112
Long-term negotiable instrument	30,000	–	–	30,000
SDMP fund	19,947	–	–	19,947
	₱18,043,176	**₱107,736**	**₱34,249**	**₱18,185,161**

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	750,745	–	38,943	789,688
Trade	628,418	–	26,150	654,568
Receivable from CBNC	50,049	–	–	50,049
Interest receivable	11,635	–	–	11,635
Amounts owed by related parties	9,212	–	–	9,212
Others	51,431	–	12,793	64,224
AFS financial assets	2,438,938	–	–	2,438,938
Quoted debt securities	1,207,033	–	–	1,207,033
Quoted equity securities	313,161	–	–	313,161
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 instrument	30,000	–	–	30,000
SDMP fund	16,999	–	–	16,999
	₱13,653,706	₱–	₱38,943	₱13,692,649

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, short-term cash investment, cash held in escrow, MRF and SDMP fund are placed in various foreign and local banks. Material amounts are held by local banks, as approved by the BOD, that have good reputation and low probability of insolvency. The rest are held by various foreign banks having a Standard and Poor's credit rating of at least A. Management assesses the quality of these assets as high grade.

- Trade receivables, notes receivable, receivable from CBNC, and derivative asset pertain to receivables from customers or related parties which have good financial capacity and with which the Group has already established a long outstanding and good business relationship. Management assesses the quality of these assets as high grade. Trade and other receivables not foreseen to be collected are classified as substandard grade.

- Interest receivables derived from short-term cash investments and cash held in escrow placed in various foreign and local banks with S&P credit rating of at least A and with low probability of insolvency, respectively, are assessed as high grade. Interest receivable from long term AFS debt securities and long term negotiable instrument are also assessed as high grade since these are invested in companies with good reputation and sound financial condition.

- 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 standard grade since amounts are settled after due date.

- AFS financial assets in debt 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, 2014 and 2013 based on contractual undiscounted payments.

2014	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	**₱228,897**	**₱380,139**	**₱105,976**	**₱–**	**₱715,012**
Accrued expenses	**196,723**	**85,400**	**30,837**	**–**	**312,960**
Interest payable	**6,309**	**–**	**–**	**–**	**6,309**
Amounts owed to a related party	**–**	**–**	**2,520**	**–**	**2,520**
Retention payable	**446**	**118**	**–**	**–**	**564**
Others	**11,128**	**2,550**	**129**	**–**	**13,807**
Long-term debt					
Principal	**–**	**20,034**	**98,295**	**1,313,203**	**1,431,532**
Interest	**–**	**–**	**24,078**	**444,079**	**468,157**
	₱443,503	**₱488,241**	**₱261,835**	**₱1,757,282**	**₱2,950,861**

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	₱282,441	₱179,385	₱21,816	₱–	₱483,642
Accrued expenses	35,371	105,761	100,090	–	241,222
Interest payable	6,959	–	–	–	6,959
Amounts owed to a related party	–	–	2,016	–	2,016
Retention payable	34,168	–	–	–	34,168
Others	–	11,698	–	–	11,698
Long-term debt					
Principal	–	19,889	97,580	1,421,128	1,538,597
Interest	–	–	25,141	481,592	506,733
	₱358,939	₱316,733	₱246,643	₱1,902,720	₱2,825,035

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2014 and 2013.

2014	**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	**₱1,229,212**	**₱–**	**₱–**	**₱–**	**₱1,229,212**
Short-term cash investments	**12,332,591**	**–**	**–**	**–**	**12,332,591**
Trade and other receivables					
Trade	**753,196**	**113,252**	**13,528**	**–**	**879,976**
Notes receivable	**–**	**–**	**276,342**	**–**	**276,342**
Receivable from CBNC	**8,919**	**30,443**	**–**	**–**	**39,362**
Interest receivable	**24,723**	**–**	**–**	**–**	**24,723**
Amounts owed by related parties	**4,493**	**–**	**–**	**–**	**4,493**
Others	**122,268**	**–**	**–**	**–**	**122,268**
Prepayments and other current assets					
Short-term cash investment	**200,000**	**–**	**–**	**–**	**200,000**
Derivative asset	**–**	**–**	**5,508**	**–**	**5,508**
AFS financial assets					
Quoted debt securities	**2,104,285**	**–**	**–**	**–**	**2,104,285**
Quoted equity securities	**506,028**	**–**	**–**	**–**	**506,028**
Unquoted equity securities	**194,116**	**–**	**–**	**–**	**194,116**
Other noncurrent assets					
MRF	**182,431**	**–**	**–**	**–**	**182,431**
Cash held in escrow	**45,112**	**–**	**–**	**–**	**45,112**
Long-term negotiable instrument	**–**	**–**	**–**	**30,000**	**30,000**
SDMP fund	**19,947**	**–**	**–**	**–**	**19,947**
	₱17,727,321	**₱143,695**	**₱295,378**	**₱30,000**	**₱18,196,394**

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	525,178	74,857	22,042	32,491	654,568
Receivable from CBNC	50,049	–	–	–	50,049
Interest receivable	11,635	–	–	–	11,635
Amounts owed by related parties	9,212	–	–	–	9,212
Others	50,091	2,729	154	11,250	64,224
AFS financial assets					
Quoted debt securities	1,207,033	–	–	–	1,207,033
Quoted equity securities	313,161	–	–	–	313,161
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 instrument	–	–	–	30,000	30,000
SDMP fund	16,999	–	–	–	16,999
	₱13,527,023	₱77,586	₱22,196	₱73,741	₱13,700,546

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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Transactions with companies outside the Philippines and with CBNC and THNC for the sale of saprolite and limonite ore are carried out with currencies that management believes to be stable such as the US$.

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. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

To mitigate the effects of foreign currency risk, the Group ensures timely follow-up and accelerates 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, 2014 and 2013 are as follows:

	2014		2013	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$150,412**	**₱6,726,410**	$59,395	₱2,636,863
Trade and other receivables	**17,337**	**775,323**	11,526	538,074
AFS financial assets	**18,591**	**831,384**	17,063	757,510
	$186,340	**₱8,333,117**	$87,984	₱3,932,447
Financial liabilities:				
Trade and other payables	**$1,518**	**₱67,880**	$1,434	₱63,422
Long-term debt	**32,011**	**1,431,532**	34,657	1,538,598
	$33,529	**₱1,499,412**	$36,091	₱1,602,020

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱44.72 and ₱44.40 as at December 31, 2014 and 2013, 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, in the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2014 and 2013 follows:

	Peso Weakens (Strengthens)	Sensitivity to pretax income
2014	**₱0.65**	**₱99,327**
	(0.50)	**(76,405)**
2013	₱0.70	₱36,325
	(0.55)	(28,541)

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 of changes in market interest rate relates to AFS quoted fixed and floating debt instruments 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:

2014	**<1 year**	**1-5 years**	**>5 years**	**Total**
Floating rate (LIBOR plus 2% spread) - long-term debt	**₱118,329**	**₱413,213**	**₱899,990**	**₱1,431,532**

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

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, 2014 and 2013, 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, in the Group's income before income tax and equity as at December 31, 2014 and 2013 are as follows:

	Change in interest rate (in basis points)	**Sensitivity to income before income tax**	**Sensitivity to equity**
December 31, 2014			
AFS financial assets	**+100**		**(₱21,043)**
	-100		**21,043**
Long-term debt	**+100**	**(₱14,315)**	
	-100	**14,315**	
December 31, 2013			
AFS financial assets	+100		(₱37,923)
	-100		37,923
Long-term debt	+100	(₱15,386)	
	-100	15,386	

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 of AFS quoted equity instruments as at December 31, 2014 and 2013, 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
2014	**12.39%**	**₱6,269**
	-12.39%	**(6,269)**
2013	22.23%	₱18,393
	-22.23%	(18,393)

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, 2014 and 2013.

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:

	2014	2013
Capital stock	**₱1,272,495**	₱1,266,780
Stock dividends distributable	**632,648**	–
Additional paid-in capital	**8,273,655**	8,151,603
Net valuation gains on AFS financial assets	**171,322**	99,506
Cost of share-based payment plan	**47,060**	49,524
Asset revaluation surplus	**33,246**	33,629
Share in cumulative translation adjustment	**82,154**	140,201
Retained earnings:		
Appropriated	**1,000,000**	1,000,000
Unappropriated	**15,673,051**	9,748,905
NCI	**3,716,715**	4,721,640
	₱30,902,346	₱25,211,788

The table below shows the Group's debt-to-equity ratio as at December 31, 2014 and 2013.

	2014	2013
Total liabilities (a)	**₱4,281,562**	₱3,701,740
Equity (b)	**30,902,346**	25,211,788
Debt-to-equity ratio (a/b)	**0.14:1**	0.15:1

35. **Financial Instruments**

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

Cash and Cash Equivalents and Short-term Cash Investment
The carrying amount of cash and cash equivalents and short-term cash investment approximate their fair values due to the short-term nature and maturity of these financial instruments.

Trade and Other Receivables, Derivative Asset and Trade and Other Payables
Similarly, the carrying amounts of trade and other receivables, derivative asset 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
The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

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

	2014			2013		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Asset measured at fair value:						
AFS financial assets						
Quoted debt securities	**₱2,104,285**	**₱–**	**₱–**	₱1,207,033	₱–	₱–
Quoted equity securities	**506,028**	**–**	**–**	313,161	–	–
	2,610,313	**–**	**–**	1,520,194	–	–
Liability for which fair value is disclosed:						
Long-term debt	**–**	**–**	**1,165,857**	–	–	1,207,981
	₱2,610,313	**₱–**	**(₱1,165,857)**	₱1,520,194	₱–	(₱1,207,981)

As at December 31, 2014 and 2013, the fair value of the quoted debt and equity securities is the quoted market price at the close of the business (Level 1).

As at December 31, 2014 and 2013, 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. Loan Agreement with EPI
On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which is to be drawn in two (2) tranches. The first and second tranche of the loan is ₱105.0 million and ₱446.0 million, respectively, with an interest rate of 2% p.a.

The loan agreement states that EPI shall pay interest on all outstanding amounts of the first tranche loan and on the second tranche loan at the rate of 2% p.a., payable on the first tranche repayment date for the first tranche loan and on the second tranche repayment date for the second tranche loan.

The proceeds of the first tranche loan shall be used by EPI to fund activities preparatory to drilling and for the drilling of the initial two (2) wells under the Montelago Geothermal Project, while the second tranche loan shall be used to fund the drilling costs and related activities (to include slim or other test holes) on the said initial two (2) wells.

The Parent Company may convert the entire second tranche loan, and not any smaller portion thereof, into shares of stock of EPI constituting fifty five percent (55%) of its total issued and outstanding shares, at any time before the lapse of three hundred sixty five (365) days after drawdown of the entire second tranche loan (the Conversion Period). The Parent Company may exercise such right of conversion by serving notice in writing to EPI (the Conversion Notice) within the Conversion Period. Upon receipt of a Conversion Notice, EPI shall issue such number of its shares taken from its authorized but unissued shares which, upon issuance, shall constitute fifty five percent (55%) of the issued and outstanding shares of stock of EPI.

For and to secure the loan and the notes covering the same, EPI pledged its shares of stock in OMCP consisting one hundred percent (100%) of OMCP's issued and outstanding shares, executed and delivered a Pledge Agreement covering the said shares.

During 2014, the first tranche loan in the amount of ₱105.0 million and forty percent (40%) of the second tranche loan in the amount of ₱178.4 million were already released to EPI. The carrying value of the Parent Company's notes receivable from EPI as at December 31, 2014 amounted to ₱276.3 million.

b. Throughput Agreements

THNC
On October 4, 2010, TMC and THNC 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 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 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 US$1.4 milion 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.

In 2014, 2013 and 2012, service revenues from usage of pier facilities of TMC amounted to ₱124.6 million, ₱119.3 million and ₱119.0 million, respectively (see Note 31).

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$, 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 to be located within the 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 US$1,420.0 million, which further increased to US$1,590.0 million, over a three-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 51,000 dry metric tons of mixed nickel - cobalt sulfide over an estimated 30-year project life. The MOU provides that the equity share of the Parent 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 Parent Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. Pursuant to the 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.

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, which further increased to US$1,590.0 million, project investment that will be undertaken by THNC.

The agreement shall terminate upon the dissolution of THNC.

On November 20, 2012, 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 Parent Company pays guarantee service fee.

On August 4, 2014 and October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US$117.7 million to cover the latter's working capital requirement and US$90.0 million for the construction of the tailings dam, respectively.

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 ₱15.6 billion, ₱7.4 billion and ₱7.4 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

Nickel Ore Supply Agreement with Queensland Nickel Pty Ltd (QNI)
CMC entered into an agreement with QNI covering the sale of CMC's ore products at a fixed tonnage and specific nickel grade and iron content. Sale of ore to QNI amounted to ₱198.6 million in 2014 and nil in 2013 and 2012.

Materials Handling Agreement with THNC (see Note 31a)

e. Mining Agreements

i. *MPSA*

RTN

On June 4, 1998, 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 (ECC), 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. As at December 31, 2014, RTN is awaiting for the Strategic Environmental Plan clearance from PCSD as a requirement in obtaining ECC approval from DENR. 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.

On June 1, 2014, HMC and SNMRC entered in a Mutual Rescission of Deed of Assignment. Both parties have mutually agreed to terminate the Deed and release each other from any and all responsibilities or obligations, there under, after confirming that there were no outstanding liabilities and obligations due to each other.

<u>TMC</u>
On July 28, 2008, the Government approved the conversion of TMC's Operating 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.

ii. Operating Agreements

TMC
<u>La Salle</u>
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, 2014, 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 royalty payment of US$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 2014.

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 US$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.

On October 10, 2014, TMC rescinded and terminated the Operating Agreement with Ludgoron. TMC wrote-off its deferred charges on Ludgoron amounting to ₱1.9 million (see Note 29).

Ludgoron is obliged to return to TMC the amount of ₱66.8 million which represent advances to claimowners. Ludgoron already paid TMC an amount of ₱10.0 million and will pay additional ₱23.4 million upon approval of MGB of the transfer of the Operating Agreement to Kafugan Mining Incorporated. The remaining balance will be settled by Ludgoron in due time.

CMC
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.

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 which was recorded an 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.

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.

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 was reduced from 7% (net of withholding taxes) to 5% during this period. Advances against future royalties, to which the 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 repayment of advances at ₱10.0 million per year will resume in 2015 up to 2018.

The commission expense related to East Coast that is reported under "Marketing" amounted to ₱109.3 million, ₱27.4 million and ₱54.8 million in 2014, 2013 and 2012, respectively.

BOA Exploration Agreement
On October 12, 2004, CMC executed a Memorandum of Agreement (MOA) with Norweah Metals and Minerals Company, Inc. for the exclusive rights to explore, develop, exploit and operate the mineral property subject of MPSA No. 241-2007 covering an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte. The MOA is effective for a term of ten (10) years commencing on July 12, 2007, the date the MPSA was approved.

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 ₱0.6 million, ₱0.9 million and ₱1.3 million in 2014, 2013 and 2012, 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 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 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 amounting to ₱134.2 million, ₱103.3 million and ₱82.7 million in 2014, 2013 and 2012, 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 Parent Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Parent 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.

The target effectivity date of the PSA shall be five (5) months from the signing date and the target commercial operation date shall be nine (9) months from the effectivity date of the PSA. The total estimated cost to construct the ten (10) MW bunker-fired diesel power station is about ₱1,000.0 million, which was appropriated from its retained earnings (see Note 17).

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 US$1.5 million in CExCI for twenty five percent (25%) equity. Once such funds have been exhausted, SMM has the option to invest US$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) To 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) To periodically report market information defined in the marketing agreement;
c) To make efforts to introduce customers to RTN, TMC, HMC and CMC and provide support to the Group in negotiating the price and terms and conditions of sales contracts of the products by and between the Group and customers; and
d) To monitor and assess trends of customers and support RTN, TMC, HMC and CMC to create an effective pricing strategy and marketing plan.

Marketing fees 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.

Marketing fees charged by Mitsubishi Corporation amounted to ₱59.6 million, ₱38.2 million and ₱39.0 million in 2014, 2013 and 2012, respectively.

j. Other Agreements

Registration with PEZA - TMC

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.

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.

On January 23, 2014, 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, 2014 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Registration with PEZA - RTN

On December 13, 2002, RTN registered with the PEZA as the developer/operator of Rio Tuba Processing Zone, located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The PEZA-registered activities are entitled to certain tax and nontax incentives. Starting 2003, such activities are already subject to five percent (5%) tax based on GIT in lieu of national and local taxes and licenses except those required to be paid under the MPSA dated June 4, 1998 executed by and between the DENR and RTN.

Board of Investments (BOI) Certification

In January 2014, 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, 2014 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 is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties. TMC's rental income from the said lease amounted to ₱6.7 million in 2014 and 2013 and nil in 2012.

In the above lease agreement, it was agreed by TMC and THNC that the option fee of ₱83.8 million received in 2010 shall be treated as advance rental and deducted from the annual rental fee. The same shall be equally applied to each year of the lease term or ₱4.2 million each year of the twenty (20)-year lease term.

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 MOA 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.

Agreement with Local Government Units
RTN together with RTN Foundation, Inc. and CBNC entered into Agreements with the barangay councils and community residents covered in the SDMP as required by law and as one of the conditions of ECC. The Agreement stipulated that RTN and CBNC should meet the changing needs and demands of the communities and shall submit the SDMP every five (5) years to the MGB Region IV for approval. In addition, as part of the process of securing the consent of affected communities, the program must be prepared in consultation and in partnership with the project proponent and neighboring communities. On January 7, 2014, SDMP No. MGB-IVB-2013-003 III was approved by the MGB covering the period of five (5) years from 2014 to 2018. RTN incurred royalty payments to indigenous people amounting to ₱69.3 million in 2014, in accordance with the said SDMP.

37. Events after the End of the Reporting Period

Loan Guarantee/Substitution Agreement
On January 26, 2015, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on August 4, 2014. 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.

Dividend Declarations
On March 27, 2015, the Parent Company's BOD declared regular and special cash dividends amounting to ₱0.70 per share and ₱0.30 per share, respectively, to stockholders of record as at April 15, 2015 which will be paid on April 27, 2015.

On the same date, the Parent Company's BOD resolved, subject to the ratification of the stockholders, the declaration of one hundred percent (100%) stock dividends. The stock dividends shall be issued upon approval of the Parent Company's application for increase in authorized capital stock by the SEC.

On March 25, 2015, CMC's BOD declared cash dividends amounting to ₱550.0 million, equivalent to ₱1.22 per share, to stockholders of record as of the said date. The cash dividends will be paid in two (2) tranches, US$10.0 million on April 15, 2015 and the remaining balance will be paid on July 31, 2015.

Loan Conversion to EPI
The BOD of the Parent Company also approved the conversion of the loan to EPI and an additional investment of about ₱474.0 million, which will equate to sixty-six percent (66%) equity interest in EPI, subject to the receipt of a satisfactory Volumetric Assessment Report expected to be completed in April.

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing activity pertains to the declaration of stock dividend amounting to ₱632.6 million and ₱251.9 million in 2014 and 2013, 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, 2014								
	Mining				Services				
	HMC	CMC	TMC	RTN	RTN/TMC	LCSLC/HMC	Others	Eliminations	Total
External customers	**₱5,051,719**	**₱3,595,474**	**₱8,478,977**	**₱6,926,564**	**₱690,664**	**₱2,306**	**₱–**	**₱–**	**₱24,745,704**
Inter-segment revenues	**–**	**–**	**–**	**–**	**–**	**76,704**	**776,902**	**(853,606)**	**–**
Total revenues (see Note 31)	**5,051,719**	**3,595,474**	**8,478,977**	**6,926,564**	**690,664**	**79,010**	**776,902**	**(853,606)**	**24,745,704**
Cost of sales	**1,071,477**	**508,198**	**1,525,064**	**2,251,672**	**–**	**–**	**–**	**–**	**5,356,411**
Cost of services	**–**	**–**	**–**	**–**	**369,004**	**2,146**	**–**	**–**	**371,150**
Shipping and loading costs	**579,024**	**224,525**	**614,205**	**396,417**	**–**	**23,397**	**–**	**–**	**1,837,568**
Excise taxes and royalties	**353,620**	**515,099**	**678,318**	**207,797**	**–**	**–**	**–**	**–**	**1,754,834**
Marketing	**28,295**	**109,298**	**18,354**	**12,996**	**–**	**–**	**–**	**–**	**168,943**
Segment operating earnings	**₱3,019,303**	**₱2,238,354**	**₱5,643,036**	**₱4,057,682**	**₱321,660**	**₱53,467**	**₱776,902**	**(₱853,606)**	**₱15,256,798**
General and administrative	**₱171,481**	**₱39,621**	**₱160,010**	**₱97,182**	**₱–**	**₱2,655**	**₱485,915**	**₱–**	**₱956,864**
Finance income	**₱12,582**	**₱8,051**	**₱29,391**	**₱31,415**	**₱–**	**₱64**	**₱90,601**	**₱–**	**₱172,104**
Finance expenses	**₱6,837**	**₱3,751**	**₱8,710**	**₱7,612**	**₱–**	**₱–**	**₱137,459**	**₱–**	**₱164,369**
Provision for income tax	**₱789,010**	**₱652,722**	**₱1,600,874**	**₱1,210,754**	**₱–**	**₱21,814**	**₱17,653**	**₱–**	**₱4,292,827**
Net income (loss) attributable to equity holders of the parent	**₱2,300,011**	**₱1,640,105**	**₱2,745,373**	**₱1,912,575**	**₱–**	**(₱47,783)**	**₱1,346**	**₱–**	**₱8,551,627**
Segment assets	**₱2,138,830**	**₱1,761,437**	**₱8,275,250**	**₱4,820,612**	**₱–**	**₱172,138**	**₱17,807,674**	**₱–**	**₱34,975,941**
Deferred income tax assets - net	**45,704**	**27,934**	**73,874**	**2,672**	**–**	**–**	**57,783**	**–**	**207,967**
Total assets	**₱2,184,534**	**₱1,789,371**	**₱8,349,124**	**₱4,823,284**	**₱–**	**₱172,138**	**₱17,865,457**	**₱–**	**₱35,183,908**
Segment liabilities	**₱450,858**	**₱362,647**	**₱1,835,113**	**₱996,482**	**₱–**	**₱3,915**	**₱211,497**	**₱–**	**₱3,860,512**
Deferred income tax liabilities - net	**–**	**–**	**–**	**358,113**	**–**	**28,976**	**33,961**	**–**	**421,050**
Total liabilities	**₱450,858**	**₱362,647**	**₱1,835,113**	**₱1,354,595**	**₱–**	**₱32,891**	**₱245,463**	**₱–**	**₱4,281,562**
Capital expenditures	**₱315,869**	**₱196,505**	**₱594,116**	**₱234,072**	**₱–**	**₱3,225**	**₱213,285**	**₱–**	**₱1,557,072**
Depreciation, amortization and depletion	**₱166,658**	**₱89,732**	**₱550,803**	**₱478,070**	**₱–**	**₱18,060**	**₱70,011**	**₱–**	**₱1,373,334**

	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	₱612,830	₱11,112	₱10,090	₱–	₱11,109,529
Inter-segment revenues	–	–	–	–	1,159	71,478	434,953	(507,590)	–
Total revenues (see Note 31)	3,438,856	737,906	3,109,101	3,189,634	613,989	82,590	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	₱278,697	(₱5,032)	₱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 expenses	₱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								
	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	₱437,655	₱6,547	₱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	437,655	354,087	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	₱177,256	₱321,089	₱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 expenses	₱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

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	**2014**	2013	2012
China	**₱15,564,609**	₱7,376,742	₱7,356,918
Japan	**5,000,487**	1,462,481	2,403,673
Australia	**198,579**	–	–
Local	**3,982,029**	2,270,306	1,846,316
	₱24,745,704	₱11,109,529	₱11,606,907

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

Revenue from two key customers for the sale of ores amounted to ₱11,756.9 million, ₱5,257.2 million and ₱5,128.0 million in 2014, 2013 and 2012, respectively.

SyCip Gorres Velayo & Co.
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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
28th Floor, 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, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 27, 2015. 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
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. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 4751289, January 5, 2015, Makati City

March 27, 2015

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANICAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE I
NICKEL ASIA CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2014

Unappropriated retained earnings as at December 31, 2013, as reflected in audited financial statements		₱5,721,968,581
Unrealized foreign exchange gain - net except those attributable to cash and cash equivalents		(383,783)
Amount of recognized deferred income tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized		(119,870,700)
Unappropriated retained earnings, *as adjusted to available for dividend distribution, beginning*		5,601,714,098
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	9,300,661,699	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those	764,817	
attributable to cash and cash equivalents)	–	
Fair value adjustment (mark-to-market gains)	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Accretion income	573,406	
Amount of recognized deferred income tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized	–	
Subtotal	9,299,323,476	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Remeasurement loss on pension liability (after tax)	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Day 1 loss	–	
Stock option expense for the period	–	
Subtotal	–	
Net income actually earned during the period		**9,299,323,476**
Add (Less):		
Dividend declarations during the period	(2,654,878,582)	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		(2,654,878,582)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DISTRIBUTION		**₱12,246,158,992**

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, 2014

I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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: Company 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			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
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	✓		
PAS 10	Events after the Reporting Period	✓		
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, Company 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at December 31, 2014**		**Adopted**	**Not Adopted**	**Not Applicable**
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			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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 8	Scope of PFRS 2			✓
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 - Company 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	✓		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
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, 2015 onwards.

SCHEDULE III

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2014

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			
Cash on hand and with banks	N/A	₱1,229,212	₱1,229,212	₱140,801
Short term cash investments	N/A	12,332,591	12,332,591	
Cash and cash equivalents		13,561,803	13,561,803	140,801
Trade	N/A	879,976	879,976	–
Notes receivable	N/A	276,342	276,342	–
Receivable from CBNC	N/A	39,362	39,362	–
Interest receivable	N/A	24,723	24,723	–
Amounts owed by related parties	N/A	4,493	4,493	–
Others	N/A	122,268	122,268	–
Trade and other receivables		1,347,164	1,347,164	–
Short-term cash investment	N/A	200,000	200,000	1,641
Derivative asset	N/A	5,508	5,508	–
Prepayments and other current assets		205,508	205,508	1,641

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2014

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	₱37,000	₱37,000	₱–
Wack-Wack Golf and Country Club	1 share	14,500	14,500	–
Valle Verde Country Club	1 share	120	120	–
Camp John Hay Country Club	1 share	180	180	–
Ayala Land, Inc.	₱90,000	90,784	90,784	3,730
Aboitiz Equity Ventures, Inc.	₱50,000	48,428	48,428	1,765
Retail Treasury Bond	₱50,000	50,000	50,000	1,300
Ayala Corporation	₱45,000	46,024	46,024	1,962
Philippine Long Distance and Telephone Company	₱20,000	19,945	19,945	752
ABS-CBN Corporation	₱20,000	18,644	18,644	759
JG Summit Corporation	₱20,000	20,858	20,858	705
Globe Telecom	₱40,000	40,496	40,496	1,771
Security Bank Corporation – Tier II Funds	₱40,000	40,000	40,000	812
Xurpas Inc.	2,250,000 shares	21,037	21,037	8,270
Philippine Long Distance and Telephone Company	25,000 shares	72,867	72,867	2,775
Philippine Long Distance and Telephone Company		2,264	2,264	182
Security Bank Corporation	43,284 shares	6,579	6,579	–
BNP Paribas		713,759	713,759	–
Credit Suisse AG	346,676 shares	217,270	217,270	3,698
Credit Suisse AG	412,111 units	120,602	120,602	2,893
BDO Institutional Cash Reserve Fund	7,260,688 units	779,308	779,308	2,414
ATR Kim Eng Capital Partners, Inc. – Alpha Opportunity Fund	14,541,224 units	24,191	24,191	–
ATR Kim Eng Capital Partners, Inc. – Equity Opportunity Fund	25,479,005 units	112,283	112,283	–
BPI Asset Management – Money Market Fund	502,453 units	113,173	113,173	–
Security Land Corporation	3,057,197 shares	126,758	126,758	–
Eurasian Consolidated Minerals Pty. Ltd.	12,500,000 shares	64,359	64,359	–
Others		3,000	3,000	–
AFS financial assets		2,804,429	2,804,429	33,788

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2014

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		
MRF	N/A	₱182,431	₱182,431	₱–
Cash held in escrow	N/A	45,112	45,112	514
Long-term negotiable instrument	N/A	30,000	30,000	1,260
SDMP fund	N/A	19,947	19,947	–
Other noncurrent assets		277,490	277,490	1,774
Total		₱18,196,394	₱18,196,394	₱178,004

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2014

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
December 31, 2014

Name of Subsidiary	Balance At January 1, 2014	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
Taganito Mining Corporation	₱823,495	₱2,030,104	(₱2,833,903)	₱–	₱–	₱19,696	₱–	₱19,696
Rio Tuba Nickel Mining Corporation	3,649,922	1,217,403	(1,894,885)	–	–	2,972,440	–	2,972,440
Samar Nickel Mining Resources Corporation	1,255,921	50,608	(1,304,770)	–	–	1,759	–	1,759
Cagdianao Mining Corporation	818,140	2,939,332	(3,684,485)	–	–	72,987	–	72,987
Cordillera Exploration Co., Inc.	57,842,809	32,255,094	–	–	–	90,097,903	–	90,097,903
La Costa Shipping and Lighterage Corporation	11,170	54,953	(66,123)	–	–	–	–	–
Hinatuan Mining Corporation	–	2,387,375	(6,375,017)	1,124,608	–	(2,863,034)	–	(2,863,034)
	₱64,401,457	₱40,934,869	(₱16,159,183)	₱1,124,608	₱–	₱90,301,751	₱–	₱90,301,751

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets
December 31, 2014

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*	₱197,028	₱14,140	₱1,941	₱–	₱–	₱209,227
	₱197,028	₱14,140	₱1,941	₱–	₱–	₱209,227

*Disclosed in Note 13 to the Consolidated Financial Statements

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule E. Long-term Debt
December 31, 2014

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.	₱–	₱40,069	₱100,173	A
Taganito HPAL Nickel Corporation	–	78,260	1,213,030	B
Deferred Income				
Taganito HPAL Nickel Corporation	–	4,563	71,229	C
Total	₱–	₱122,892	₱1,384,432	

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 US$448,000, 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 US$875,000, payable in April and October until April 10, 2031.

C. The obligation is covered by a Lease Agreement with THNC.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
December 31, 2014

Name of Affiliate	Beginning Balance	Ending Balance
	In Thousands	
Long-term Debt		
Sumitomo Metal Mining Co. Ltd.	₱179,000	₱140,242
Taganito HPAL Nickel Corporation	1,359,597	1,291,290
Deferred Income		
Taganito HPAL Nickel Corporation	79,982	75,792
	₱1,618,579	₱1,507,324

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2014

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

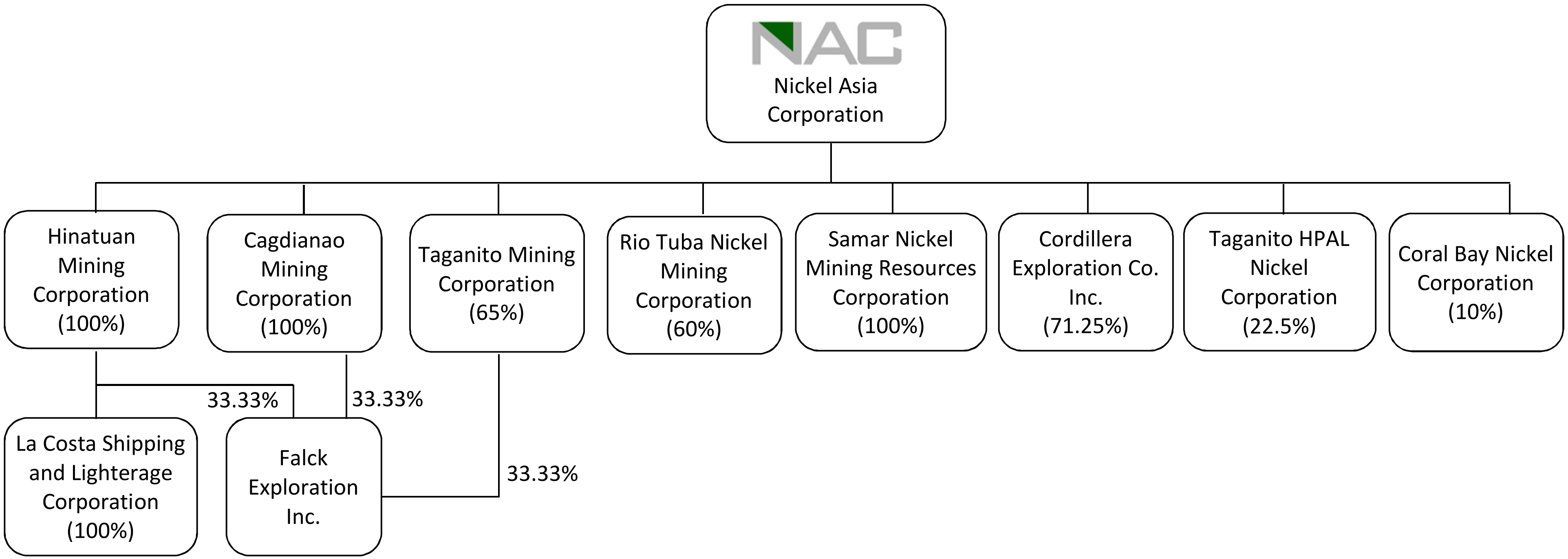
- Not applicable-

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2014

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	Number of Shares Held By: Directors, Officers and Employees	Number of Shares Held By: Others
Common Stock	4,265,000,000	2,530,590,350	35,719,308	1,593,376,687	333,338,127	603,875,536
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, 2014



Note: There is no pyramid ownership structure and/or cross holding structure.

SCHEDULE V
NICKEL ASIA CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

	2014	2013
A. Liquidity ratios		
Current ratio	**9.74**	11.15
Quick ratio	**8.17**	9.42
Solvency ratio	**8.22**	7.81
B. Financial leverage ratios		
Debt ratio	**0.12**	0.13
Debt-to-equity ratio	**0.14**	0.15
Interest coverage	**321.66**	80.30
Asset-to-equity ratios	**1.14**	1.15
C. Profitability ratios		
Net profit margin analysis	**0.44**	0.23
Return on assets	**0.31**	0.09
Return on equity	**0.36**	0.10
Gross profit margin	**0.77**	0.57
Price/earnings ratio	**14.04**	18.76

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, 2014, the Company's Total Ore Reserves in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
Ore Reserves						
Saprolite	Proved and Probable	115,400	77,974	1.50	11.43	1,170
Limonite	Proved and Probable	230,457	155,420	1.11	42.42	1,728

The undersigned is issuing this certification in his capacity as PMRC Competent Person accredited by the Philippine Society of Mining Engineers 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. 2392619 Issued: 01/27/2015, 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, 2014, the Company's Total Mineral Resources in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
Mineral Resources						
Saprolite	Measured and Indicated	125,704	83,706	1.58	11.30	1,322
Limonite	Measured and Indicated	240,392	161,746	1.11	42.96	1,799
Saprolite	Inferred	29,552	19,007	1.44	11.96	275
Limonite	Inferred	10,623	7,266	1.19	38.49	86

The undersigned is issuing this certification in his capacity as Competent Person accredited by the 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. 4453566 Issued: 01/08/2015, Antipolo City