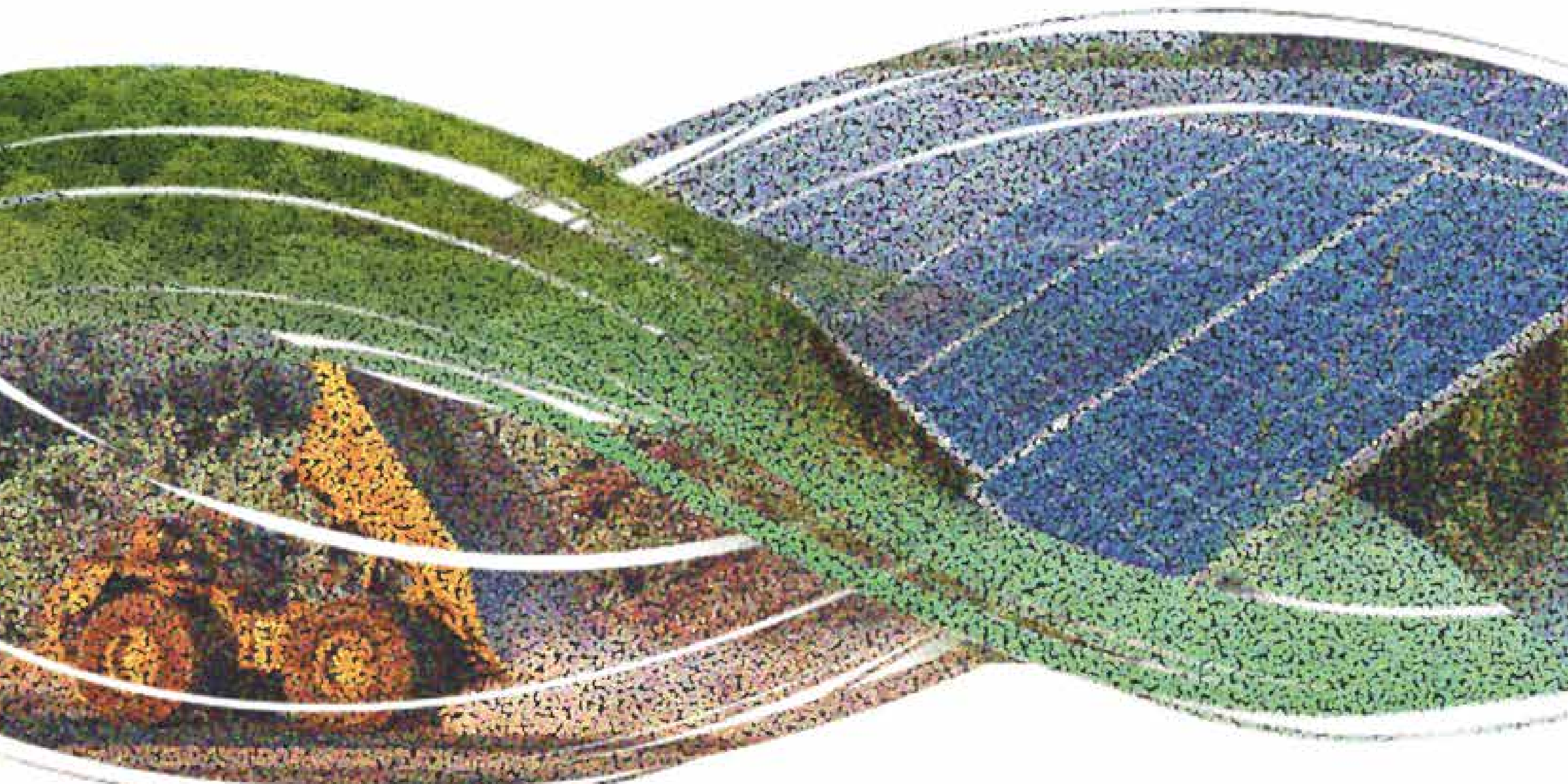
NICKEL ASIA CORP.

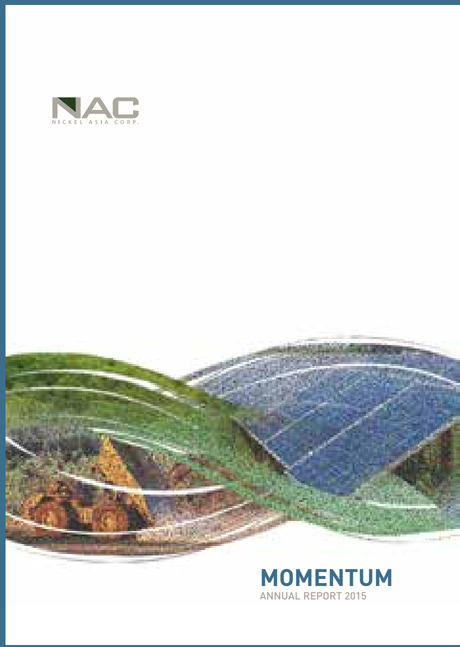


MOMENTUM

ANNUAL REPORT 2015

The Cover

Nickel Asia Corporation has a proven track record of resilience. The infinity symbol epitomizes NAC's resolve and resilience, especially in the face of difficult market conditions. With the diversification of our portfolio to renewable energy, we are adapting to the changing needs of the market place while remaining faithful to our core as a responsible natural resources company. We are committed to sustaining momentum over the long term.



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Who We Are

Nickel Asia Corporation (NAC) is the Philippines' largest producer of lateritic nickel ore, and is one of the largest in the world. Our operating history began nearly four decades ago, when in 1977 we made the first shipment from our oldest mine, Rio Tuba, in Bataraza town at the southernmost tip of the island of Palawan.

Since then, we have expanded to four mines with more than 100 million wet metric tons of ore sold to-date. In 2015 we acquired a 5th operation, Geogen Corporation, which is undergoing development in order to meet our production standards.

Our saprolite and limonite ore are used by our Japanese, Chinese and Australian customers to produce ferronickel and nickel pig iron (NPI), which are used to produce stainless steel. Our Chinese customers also use our ore for the production of pig iron, which is used for carbon steel. Our Rio Tuba operation also exclusively supplies limonite ore to Coral Bay Nickel Corporation (CBNC), the country's first hydrometallurgical nickel processing plant where we have a 10% equity interest. Commissioned in 2005, CBNC 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.

In Claver, Surigao del Norte, our Taganito operations supply all of the limonite ore requirements to Taganito HPAL Nickel Corporation (THPAL), the country's second hydrometallurgical nickel processing plant that was built at a cost of US$1.7 billion and commissioned in 2013. We have a 22.5% interest in THPAL, which operates at full capacity of 30,000 tonnes of contained nickel and 2,640 tonnes of contained cobalt per year.

Aside from our four operating mines, we have other properties in various stages of exploration for nickel, while continuing to seek opportunities in copper and gold.

Beyond our mineral resource operations, we have now moved into the area of renewable energy and power generation. Emerging Power Inc., (EPI), our renewable energy subsidiary in which we have a 66% stake, has 100% ownership in a 100 MW solar and 50 MW wind service contracts in the Subic Bay Freeport, 100% of a geothermal service contract covering the Montelago geothermal field near Nauhan, Mindoro Oriental, and 60% of geothermal service contracts in the province of Biliran.

In the Subic project, 7 MW of solar power has been energized and the balance of the solar component of the project should substantially be completed in 2016. In Montelago, two standard wells have been drilled and are undergoing thermal recovery prior to a decision to develop. In Biliran, where five holes have previously been drilled prior to the entry of EPI, the first 5 MW geothermal plant is planned for 2016.

With our foray into the area of renewable energy, we are slowly becoming a group more focused on harnessing the potential of our natural resources to benefit our communities and the country in general.

Fundamental to the way we do business as a responsible corporate citizen is our commitment to operate in a sustainable manner, protecting the environment, nurturing active communities and ensuring the safety and well-being of everyone involved in our operations. For this we have been recognized time and again, by the Government, the industry and by other award-giving bodies.

As an evolving natural resources company, we are committed to the highest standards in everything that we do.

Vision

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

Mission Statement

Using best global industry practices, we are committed to:

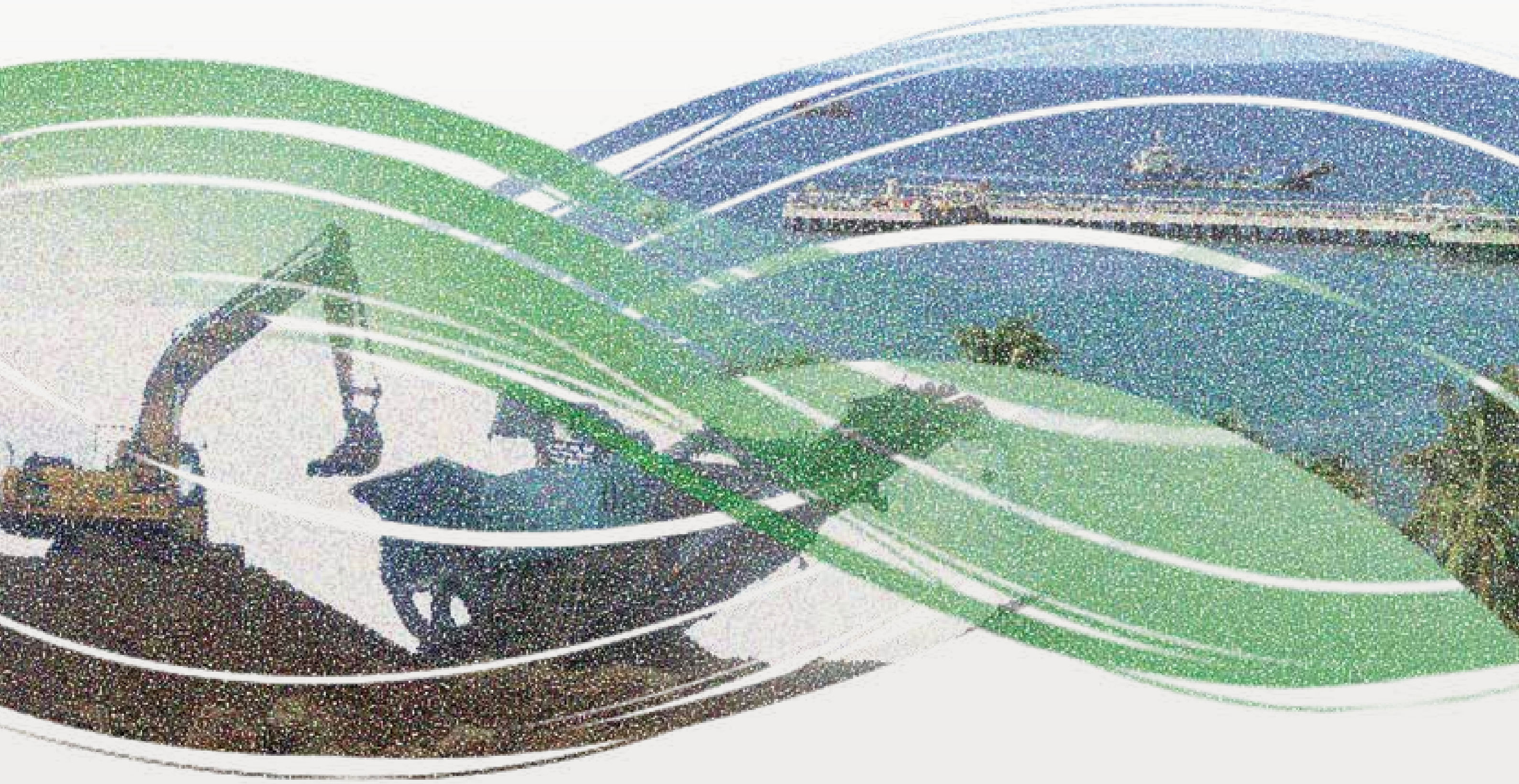
- Optimizing our current operations;
- Exploring and developing additional deposits for nickel and other minerals to sustain our growth;
- Delivering to our customers quality mineral products in a timely manner;
- Nurturing our employees and providing a safe and healthy workplace for them to achieve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

Core Values

Competence
Efficiency
Responsibility to all stakeholders
Teamwork
Integrity and honesty
Financial growth
Dedication

Corporate Structure

* Beneficial Ownership



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.

We ship out two types of saprolite: high-grade and mid-grade. High-grade saprolite has a nickel content of about 1.7% while mid-grade saprolite ore has a nickel content of between 1.3 to 1.6%.

All our high-grade saprolite ore were sold to Japanese clients, namely Sumitomo Metal Mining Co., Ltd. (SMM) and Pacific Metals Co., Ltd. (PAMCO), who use the material as feed for their 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.

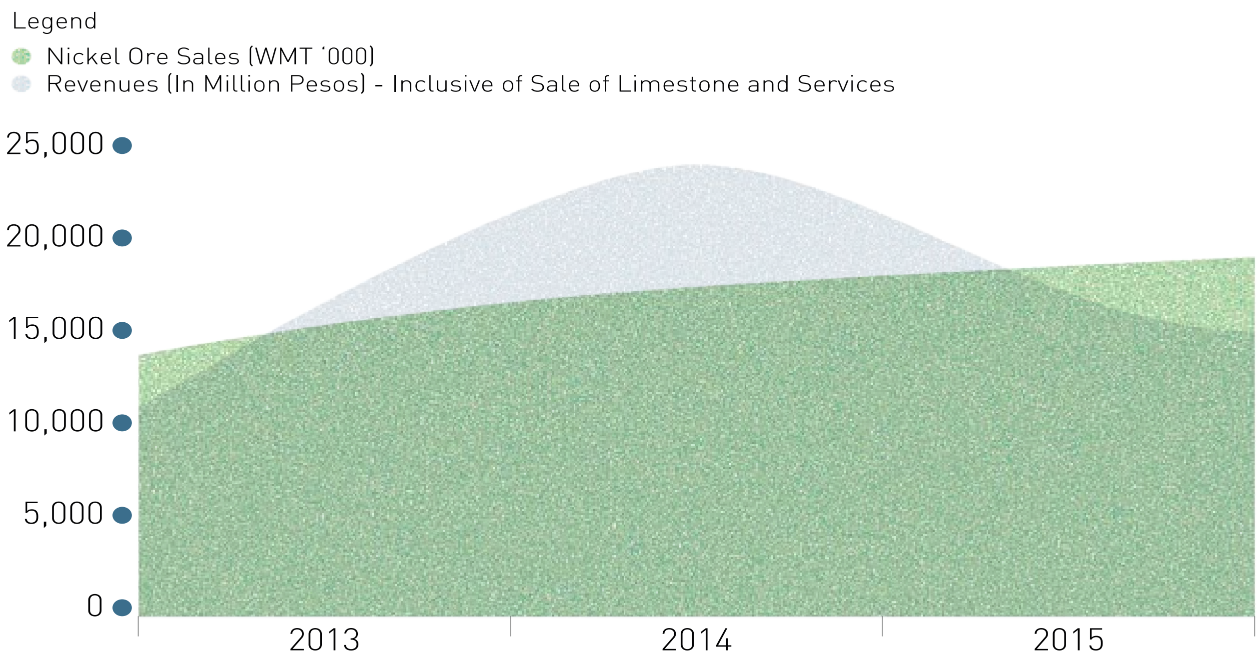
We sell three types of limonite: mid-grade, high-iron, and low-grade. Mid-grade limonite ore has a nickel content of between 1.2 to 1.5% and an iron content of 25 to 40%. High-iron limonite ore has a nickel content of less than 1% and an iron content of 48 to 50%. Low-grade limonite ore has a nickel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

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 Pty. Ltd. (QNI), which uses the material as feed for its nickel and cobalt refinery. Our high-iron limonite ore was sold to Chinese customers who use the material as feed for blast furnaces for the production of low-grade NPI and pig iron. Finally, low-grade limonite ore from Taganito and Rio Tuba were utilized as feed for the Taganito and Coral Bay HPAL plants, respectively.

	Saprolite		Limonite		
Type of Ore:	Hi Grade ≥1.7% Ni	Mid Grade ≥1.3% 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 THPAL
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:	Negotiated US$/WMT	Negotiated US$/WMT	Negotiated US$/WMT	Negotiated US$/WMT	LME Ni Price x Payable Ni
2015 Volume(kWMT)	940	6,118	1,441	3,373	7,798
2015% Volume	5%	31%	7%	17%	40%
2015% of Revenue	17%	46%	8%	14%	15%

Sales and Financial Highlights

NICKEL ORE SALES



	2015	2014
Total Sales (WMT '000)	19,672	17,873
LME-based Sales (WMT '000)	7,798	7,589
Payable Nickel (lbs. '000)	8,489	9,173
Realized LME Price ($/lb)	5.4	7.7
Tonnage-based Sales (WMT '000)	11,874	10,284
Average Price ($/WMT)	22.6	45.1

REVENUES

15,432
2015

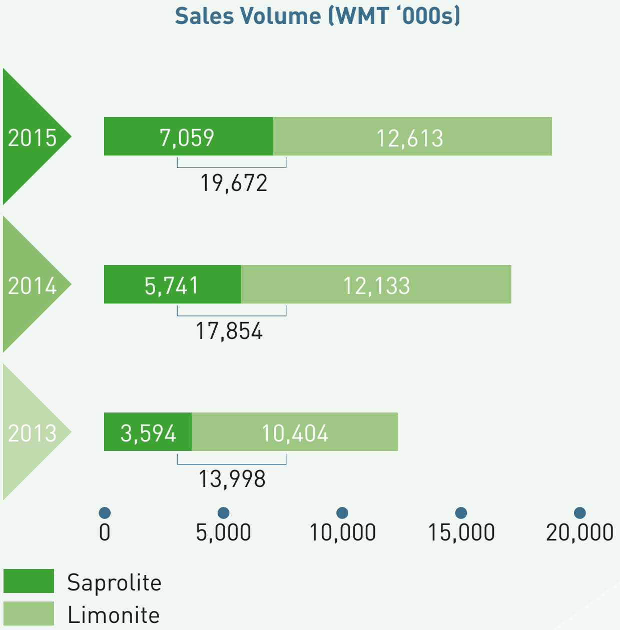
24,746
2014

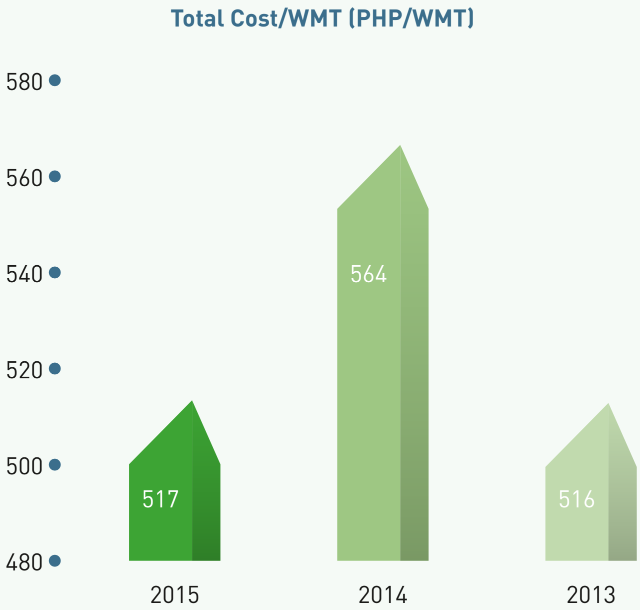
11,110
2013

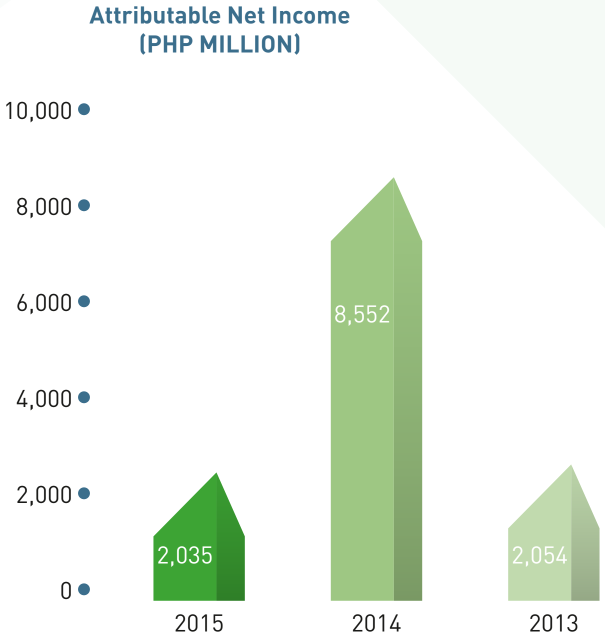
	2015	2014	2013
SALES HIGHLIGHTS			
Total Sales (WMT '000)	19,672	17,873	13,998
LME-based Sales (WMT '000)	7,798	7,589	5,154
Payable Nickel (lbs. '000)	8,489	9,173	9,078
Realized LME Price ($/lb.)	5.4	7.7	6.7
Tonnage-based Sales (WMT '000)	11,874	10,284	8,844
Average Price ($/WMT)	22.6	45.1	21.3

	2015	2014	2013
FINANCIAL HIGHLIGHTS (PHP Millions, except Per Share amounts)			
Sale of ore	14,796	24,053	10,476
Services and Others	636	693	634
Total Revenues	15,432	24,746	11,110
Operating Costs And Expenses	10,528	10,445	7,562
Net Income	3,045	11,008	2,586
Attributable to Equity Holders of the Parent	2,035	8,552	2,053
Attributable to Non-Controlling Interests	1,010	2,456	533
BASIC EARNINGS PER SHARE (PHP)	**0.27**	**1.13**	**0.27**
FINANCIAL CONDITION			
Cash, Cash Equivalents and AFS Investments	12,904	16,366	12,673
Other Current Assets	4,591	4,768	3,109
Noncurrent Assets	24,151	14,050	13,131
Current Liabilities	7,713	2,115	1,309
Noncurrent Liabilities	4,520	2,167	2,392
Equity	29,413	30,902	25,212
BOOK VALUE PER SHARE (PHP)	**3.36**	**3.58**	**2.71**

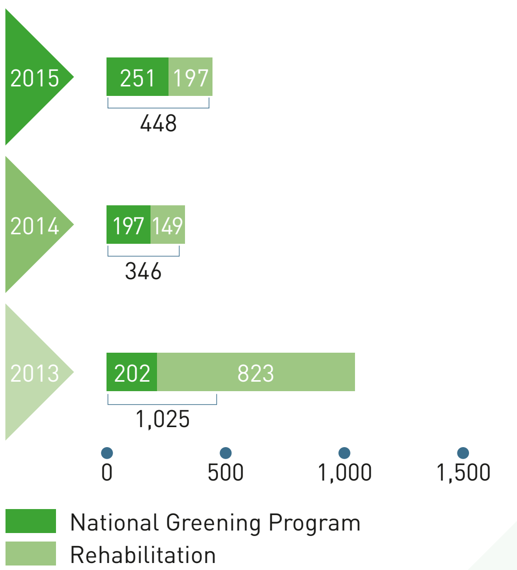
Key Performance Indicators



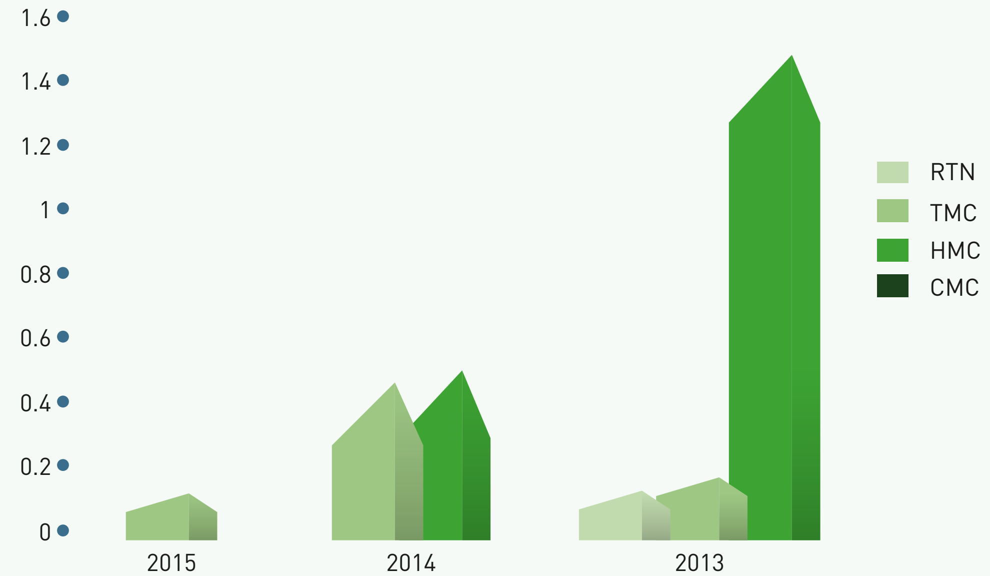




Hectares Reforested and Rehabilitated

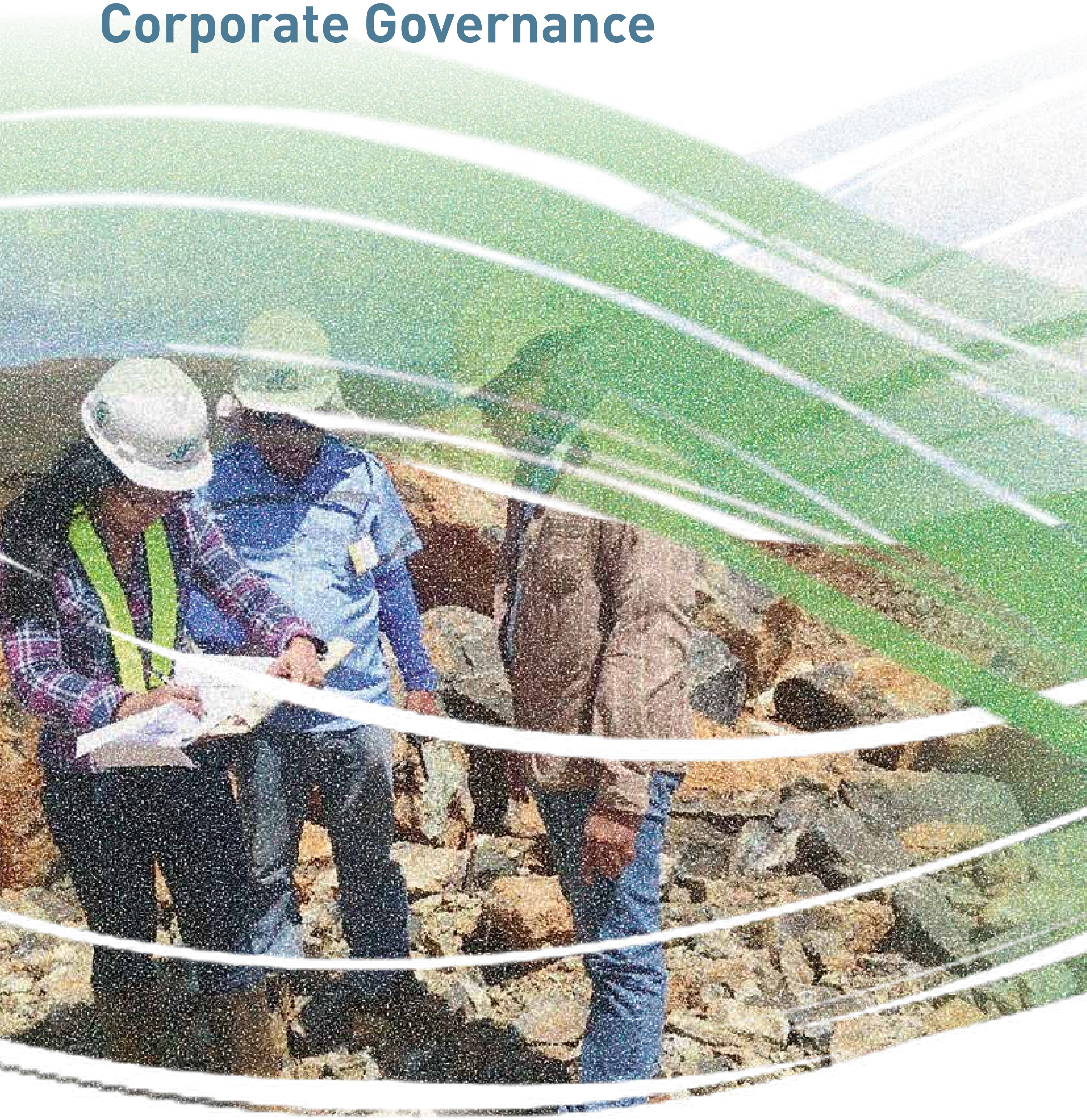


Frequency Rate (Lost-Time Accidents Per Million Man-hours)



	2015	2014	2013
RTN	0	0	0.14
TMC	0.13	0.43	0.18
HMC	0	0.46	1.47
CMC	0	0	0

Corporate Governance



VISION, MISSION, AND CORE VALUES

The Company's Vision, Mission and Core Values are formulated by the Board of Directors (Board) 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 for the best interests of its shareholders.

The Company's Vision, Mission and Core Values are reviewed by the Board annually.

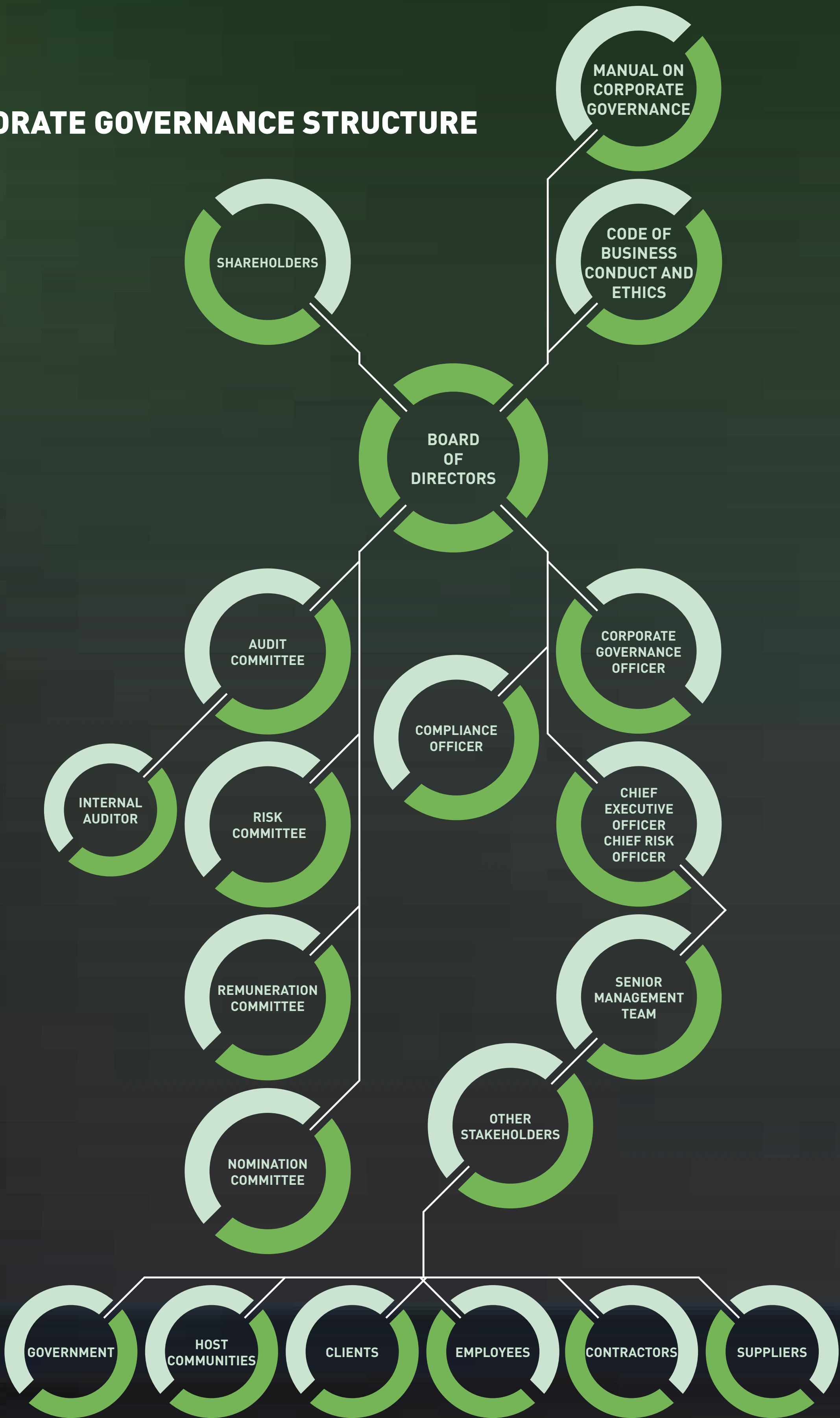
GOVERNANCE STATEMENT

The Company is committed to the highest standards of corporate governance as articulated in its Articles of Incorporation, By-Laws, Manual on Corporate Governance (CG Manual), Code of Business Conduct and Ethics (Code), and pertinent laws, rules and regulations.

The Board, Officers and employees of the Company commit themselves to the principles of sound corporate governance provided in the CG Manual and acknowledge that the same shall serve as a guide in the attainment of the Company's corporate goals, the creation of value for all its shareholders, and in sustaining the Company's long-term viability.

The Board likewise approved and adopted the Code in furtherance of its commitment to good and effective corporate governance. The Code applies to 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. It is designed to ensure consistency in how they conduct themselves within the Company, and outside of the Company in their dealings with all stakeholders.

CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

The Board is primarily responsible for the governance of the Company and shall provide the policies for the accomplishment of 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 shareholders.

The Company's Board is comprised of nine (9) Directors, with two (2) being Independent Directors. The Company's CG Manual 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.

All Directors of the Company are required to have a practical understanding of the business of the Company as provided in the Company's CG Manual.

The members of the Board are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nomination 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.

DEFINITION OF INDEPENDENCE & INDEPENDENT DIRECTORS

The Company adopts the definition of "independence" under the Securities Regulations Code. The Company 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 Company follows the Term Limits for Independent Directors as provided under SEC Memorandum Circular No. 9, Series of 2011.

Board	Name	Date of Election	No. of Meetings Held during this year	No. of Meetings Attended	%	Directorship in Other Publicly Listed Companies
Chairman	Manuel B. Zamora, Jr.	05 June 2015	6	5	83%	None
Member	Philip T. Ang	05 June 2015	6	6	100%	Security Bank Corporation
Member	Gerard H. Brimo	05 June 2015	6	6	100%	None
Member	Luis J. L. Virata	05 June 2015	6	5	83%	Benguet Corporation
Member	Takanori Fujimura	05 June 2015	6	6	100%	None
Member	Takeshi Kubota	05 June 2015	6	6	100%	Sumitomo Metal Mining Co., Ltd.
Member	Martin Antonio G. Zamora*	05 June 2015	6	6	100%	NiHAO Mineral Resources International, Inc.
Independent Director	Fulgencio S. Factoran, Jr.**	05 June 2015	6	6	100%	BDO Leasing & Finance, Inc. Atlas Consolidated Mining and Development Corp.
Independent Director	Frederick Y. Dy	05 June 2015	6	5	83%	Security Bank Corporation

** Mr. Zamora's directorship in NiHAO was effective on 11 December 2015.*
***Atty. Factoran has extensive experience in mining and natural resources, having been the Secretary of the Department of Environment and Natural Resources from 1987 to 1992.*

“The Company recognizes that all shareholders of the Company have the right to participate in all scheduled shareholders’ meetings of the Company and to exercise their right to vote.”

SHAREHOLDERS' RIGHTS

The Company recognizes that all shareholders of the Company have the right to participate in all scheduled shareholders' meetings of the Company and to exercise their right to vote.

SHAREHOLDERS' MEETING

The annual general meeting of shareholders is held on the first Friday of June each year as stated in the By-Laws. It is during the annual meeting that all shareholders are given the opportunity to exercise their rights to elect Directors, to replace and remove Directors, to approve certain corporate acts in accordance with the Corporation Code and also serves as a venue for all shareholders to be updated on the condition of the Company, its plans and programs. It also serves as a venue for shareholders to raise questions or concerns.

NOTICE AND PROCEDURES

The Company sends timely notice of meetings to shareholders. A notice stating the date, time and place of the annual meeting is announced at least twenty eight (28) 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/her behalf shall be disseminated to all shareholders within the periods prescribed by the Securities and Exchange Commission (SEC).

BOARD ATTENDANCE, APPRAISAL & TRAINING

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.

On a yearly basis, the Company's Board undertakes a performance self-assessment and performance assessment of the CEO to evaluate performance and overall compliance with laws, regulations and best practices.

Enterprise Risk Management

The Company adopts a philosophy aimed at enhancing shareholder value by sustaining competitive advantage, optimizing risk management cost, and enabling the Company to pursue strategic growth opportunities with greater speed, skills and confidence than its competitors.

To put the philosophy into action, the Board, through its 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.

RISK MANAGEMENT FRAMEWORK

1. Establish the Risk Management Framework
2. Identify and Prioritize Risks
3. Source and Measure Risks
4. Develop Risk Mitigation Strategies
5. Monitor Risks

The risk management processes facilitate alignment of the Company's strategy and annual operating plan with the management of key risks. Risk assessment and mitigation strategy is an integral part of the Company's annual business planning and budgeting process. The Company has in place a formal program of risk and control self-assessment whereby line personnel are involved in the ongoing assessment and improvement of risk management and controls. 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 to mitigate the risks.

RISK MANAGEMENT OVERSIGHT STRUCTURE

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

Joint Statement to Shareholders

"Our four operating subsidiaries achieved record sales of nickel ore in 2015 of 19.7 million wet metric tons (WMT), 10% higher than the prior year."

For the year in review, our Company achieved record sales volumes and a continuing improvement in operating efficiency while venturing into the renewable energy business. On the other hand, nickel prices dropping to a low not seen in over a decade has reduced revenues and profits.

OPERATING RESULTS

Our four operating subsidiaries achieved record sales of nickel ore in 2015 of 19.7 million wet metric tons (WMT), 10% higher than the prior year. Sales of saprolite ore amounted to 7.1 million WMT as against 5.7 million WMT in 2014, while sales of limonite ore increased to 12.6 million WMT from 12.1 million WMT. The limonite sales volumes include 7.8 million WMT of low-grade ore sold to the Coral Bay (10%-owned) and Taganito (22.5%-owned) plants, which process the ore using the high pressure acid leach (HPAL) technology, compared to 7.4 million WMT in the prior year.

Against this backdrop, nickel prices quoted in the London Metal Exchange (LME), as well as prices of our various ore products, were in an almost continuous decline throughout the year, as was indeed the case with other commodities. Much has already been said about the slowdown in industrial activity in China, the largest consumer of base metals and other commodities. Tepid worldwide economic growth and the surge in the US dollar against other currencies have also contributed to the unrelenting drop in commodity prices that we witnessed in 2015.

As a consequence, the price of our ore exports decreased from a weighted average of $45.10 per WMT of ore in 2014 to $22.64 per WMT. The average price of our sales of limonite ore to the two HPAL plants, which are pegged to LME prices, also decreased from $7.69 per lb. of payable nickel to $5.36 per pound. On a combined per WMT basis, average prices dropped 47% to $16.11 from $30.17 in the prior year.

The drop in prices led to a 38% decrease in our revenues, from ₱24.7 billion in 2014 to ₱15.4 billion. Included in the figures are revenues derived from services performed by our Rio Tuba and Taganito subsidiaries to the two HPAL plants and the sale of limestone by our Rio Tuba subsidiary, which in total amounted to ₱1.1 billion, largely unchanged from the prior year.

Much effort went into optimizing production factors and controlling costs. Total costs and expenses per ton of ore sold during the year decreased by 9% from the prior year to ₱500 per WMT of ore. The average foreign exchange rate received for our sales was ₱45.37 to US$1.00 compared to ₱44.03 to US$1.00 in 2014.

Our attributable net income for the year amounted to ₱2.04 billion or ₱0.27 per share, as against ₱8.6 billion or ₱1.13 per share in the prior year. Contributing to the drop in income was our share of the combined losses of ₱811 million (booked under the equity accounting method) incurred by the Coral Bay and Taganito HPAL plants as a result of much lower nickel prices; in comparison, our share of the income in the prior year amounted to ₱522 million. It should be noted that at current nickel prices hovering around the $4/lb. level, most nickel processing plants worldwide are not profitable. On a positive note, both plants continue to operate at a high level of efficiency. The Taganito plant in particular, which achieved its first full year of commercial operations in 2014, operated at full capacity and achieved sales of close to 30,000 tonnes of contained nickel in sulfide form during the year in review.

ECONOMIC AND SOCIAL CONTRIBUTION

For 2015, total taxes and fees paid by our Company both to the national and local government units amounted to ₱3.7 billion, inclusive of consolidated income taxes paid of ₱1.6 billion. The corresponding figures for the prior year were ₱7.2 billion and ₱4.3 billion, respectively. Our mining subsidiaries continue to participate in the Extractive Industries Transparency Initiative (EITI) process by reporting annually on all taxes and fees paid as well as social expenditures and environmental funds. EITI is a global standard to promote transparency in the management of natural resources, particularly in the payment and receipt of taxes and fees from the extractive sectors.

With respect to social expenditures under our subsidiaries' Social Development Management Programs, ₱121.4 million was spent in 2015 primarily on infrastructure, livelihood projects, health care and educational programs within the host communities of our operations.

In 2015, on the average we employed 5,494 individuals, both full-time and through a number of contractors that we use for various aspects of our operations.

Details of our social, environmental, safety and health programs continue to be covered under a separate 2015 Annual Sustainability Report. This is the third year that we have commissioned this report under global sustainability guidelines – G4, to properly document our efforts in the area of sustainable development.

DIVIDENDS

On the basis of the operating results for the year in review, the Board of Directors on March 15, 2016 approved a regular cash dividend of ₱0.08 per share, consistent with our policy to declare approximately 30% of our income as dividends. The cash dividends were paid on April 12, 2016 to shareholders of record as of March 31, 2016.

In the prior year, a regular cash dividend of ₱0.35 per share and a special cash dividend of ₱0.15 per share, adjusted for the 100% stock dividend mentioned below, was declared by the Board of Directors on March 27, 2015 and paid on April 27, 2015 to shareholders of record as of April 15, 2015.

During the same meeting of the Board of Directors, a 100% stock dividend was declared and subsequently approved by the Shareholders during the Annual Meeting of Shareholders on June 5, 2015. The stock dividends were issued on August 11, 2015.

Gerard H. Brimo, President & CEO, and Jose B. Anievas, Senior Vice President and COO, receiving the Presidential Mineral Industry Environmental Award given to Rio Tuba Nickel Mining Corp. from President Benigno Aquino III and DENR Secretary Ramon P. Paje in Malacañang.

GROWTH AND DIVERSIFICATION

Energy

Our entry into the renewable energy business was formalized in 2015 with the conversion of a ₱446 million loan to equity, and an additional equity infusion of ₱474 million, which correspond to a 66% equity ownership in Emerging Power, Inc. (EPI).

On April 18, 2016, on the basis of a capital call by EPI, our Board approved an additional equity investment of ₱660 million, as well as a loan of ₱1.5 billion. The funds will be used to advance EPI's various projects in 2016. EPI's mission is to engage in power generation exclusively from renewable sources. In a relatively short period of time EPI has acquired a number of Renewable Energy Service Contracts, principally a 100 MW solar and 50 MW wind service contracts under Jobin-SQM, Inc. (JSQ - 100% owned), located in the Subic Bay Freeport; two geothermal service contracts under Biliran Geothermal, Inc. (BGI - 60% owned), in the province of Biliran; and a geothermal service contract under Mindoro Geothermal Power Corp. (MGPC - 100% owned) in Mindoro Oriental.

The construction of the solar component of the JSQ project commenced in the latter part of 2015. Defaults by the contractor, however, led to the termination of the EPC contract, delaying project implementation. As we go to press, 7 MW of power is being generated. The balance of 93 MW should substantially be completed by the end of 2016. EPI is contracting with Amber Kinetics, a US-based company, for the use of its flywheel battery storage technology for this project, which will provide flexibility in the transmission of power as required throughout the day and open up ancillary business for EPI.

With respect to BGI, much work had already been done by EPI's 40% partner, Biliran Geothermal Holdings, Inc., including the drilling of five wells in this potentially large geothermal field and a considerable amount of required infrastructure. Although the drilling indicated that all wells have the required temperatures for the generation of geothermal power, a number of these are acidic and will require fluid management studies. BGI will move ahead this year with the development of a 5 MW power plant, which should be operational by end-2016.

In MGPC, drilling of two wells has been completed early in 2016. The wells are undergoing thermal recovery and further development will hinge on the results.

Under our Company, we are completing the construction of an 11 MW bunker fired diesel power plant in Surigao City, at a cost close to ₱900 million. Power will be sold to the Surigao Electric Cooperative under a Power Sales Agreement. The plant is designed to alleviate the shortage of power particularly in Surigao City, and should be operational in the 2nd quarter of 2016. It should be noted that two of our mining operations are located in the province of Surigao del Norte.

Nickel

In August 2015, we concluded the purchase of 100% of Geogen Corporation, the holder of a Mineral Production Sharing Agreement on a nickel property in the province of Isabela, for ₱695 million. As part of the transaction, we also concluded the purchase of a 10% equity interest in NiHAO Mineral Resources International, Inc. a publicly traded company with operating rights over the property, for ₱405 million. As part of the terms, NiHAO will have a 20% net profit interest in the property.

The Isabela property contains about 68 million dry metric tons of both saprolite and limonite ore in the Measured and Indicated category, as computed by SRK Consulting. While the property has previously been mined, further drilling and development work is required to achieve sustained operations at the high environmental standards that all our operations adhere to. This will be the primary focus in 2016.

Gold and Copper

In December 2015, our subsidiary Cordillera Exploration Co., Inc. (CExCI), which is focused on exploring for gold and copper, purchased Newminco Pacific Mining Corp. (Newminco) for ₱68.5 million, payable in installments. Newminco has an Exploration Permit covering an area in the province of Zambales where outcropping quartz veins, part of which show good gold grades, have been identified. Exploration work consisting of rock geochemical sampling and trenching commenced in January 2016. A drilling program of about 3,000 meters to test for the extensions of the veins is programmed for the 2nd quarter of 2016.

As a result of this transaction, one of our major shareholders and our 25% partner in CExCI with considerable experience in gold mining, Sumitomo Metal Mining Co., Ltd., exercised its option to increase its equity to 40% by purchasing new shares for $2.8 million. The funds will be used primarily for the drilling program. Upon approval of this transaction by the Securities and Exchange Commission, our Company's equity ownership in CExCI will correspond to 57%.

CExCI also continues to work on the permitting requirements over its tenements in northern Luzon, particularly in the municipalities of Cervantes and Mankayan.

> *"Our entry into the renewable energy business is one such opportunity that we feel is a proper fit for our natural resource company."*

OUTLOOK

The year in review highlights the volatile nature of commodity prices and the uncertainties in the global economic outlook, in particular that of China. China's high economic growth rates for over a decade centered on the build up of commodity intensive industrial capacity and infrastructure, which led to a boom in commodity prices across the board. As its economy matures and as its reform programs promote a shift to domestic consumption over investment, slower economic growth is occurring, exacerbated by an over-supply of industrial capacity built up during the high growth years. The result is a negative impact on demand for commodities.

A rebalancing of supply and demand for nickel is necessary for prices to improve. On the supply side, production cutbacks and closures of some nickel refineries are now taking place, although at this time minor in terms of impact. Should prices remain at current low levels, we should see this process accelerating. It should be noted that the peak in LME nickel inventories occurred mid-2015, and since then have started to trend down moderately. In the absence of a strong pick up in demand, which is currently difficult to foresee, the rebalancing process will take time. We therefore expect another challenging year ahead of us. Our position as a low cost producer coupled with our strong balance sheet will, however, allow us to steer through this down cycle, as well as to take advantage of opportunities as they arise.

Our entry into the renewable energy business is one such opportunity that we feel is a proper fit for our natural resource company. It is not without its challenges and growing the business will take time, but in 2015 we have laid the foundation for building a new business segment that will generate a more stable revenue base and create shareholder value in the medium term.

ACKNOWLEDGEMENT

We are grateful to our management team, our supervisors and rank-and-file for their continued dedication and perseverance throughout the year. We cite in particular the exemplary performance of our Rio Tuba operations, which garnered the Presidential Mineral Industry Environmental Award, the highest recognition of environmental excellence in our industry, while our Taganito operations received the Best Mining Forest award for its efforts in reforesting mined-out areas. The awards were given during the 62nd Annual National Mine Safety and Environment Conference in November of last year.

We are also pleased to inform our shareholders that prior to going to press on this report, all of our four operating subsidiaries were issued favorable endorsements for the issuance of ISO 14001 Certification for Environmental Management Systems. We are grateful to all those in our team who were involved in this process.

Finally, we extend our appreciation to our Directors for their guidance during our Board and Committee meetings, and to our shareholders and stakeholders for your support as we navigate through this down cycle and lay the seeds for further growth in our Company.

Manuel B. Zamora, Jr.
Chairman

Gerard H. Brimo
President & CEO

Summary of Ore Reserves and Resources

TOTAL ORE RESERVES (1)

As of December 31, 2015

Operation	Mineral Type	Classification	Tonnes (kwmt)	Tonnes (kdmt)	%Ni	%Fe	Contained Ni (kt)
Rio Tuba	Saprolite	Proved and Probable	20,986	13,956	1.50	13.64	210
	Limonite	Proved and Probable	44,426	31,086	1.19	36.44	370
Taganito	Saprolite	Proved and Probable	57,922	40,460	1.49	9.72	603
	Limonite	Proved and Probable	136,634	91,565	1.05	46.16	961
Cagdianao	Saprolite	Proved and Probable	26,911	17,941	1.52	13.20	272
	Limonite	Proved and Probable	29,638	19,759	1.22	34.35	241
Hinatuan	Saprolite	Proved and Probable	4,748	3,165	1.50	12.47	47
	Limonite	Proved and Probable	9,962	6,641	1.15	34.73	76
Geogen	Saprolite	Proved and Probable	4,337	2,819	1.85	28.74	52
	Limonite	Proved and Probable	50,576	32,875	1.32	40.00	434
Total Reserves	**Saprolite**	**Proved and Probable**	**114,904**	**78,341**	**1.51**	**12.01**	**1,184**
	Limonite	**Proved and Probable**	**271,236**	**181,926**	**1.14**	**41.69**	**2,082**

This summary was prepared by Engr. Rolando R. Cruz, who is the current Vice President for Operations of Nickel Asia Corporation. Engr. Cruz is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has sufficient experience as to the type of deposit and mineralization. He has given his consent to the Public Reporting of this statement concerning Ore Reserve Estimation.

TOTAL MINERAL RESOURCES (1) (2)

As of December 31, 2015

Operation	Mineral Type	Classification	Tonnes (kwmt)	Tonnes (kdmt)	%Ni	%Fe	Contained Ni (kt)
Rio Tuba	Saprolite	Measured and Indicated	25,032	15,611	1.64	13.44	255
	Limonite	Measured and Indicated	47,508	33,110	1.20	36.39	399
	Saprolite	Inferred	15,202	9,480	1.58	11.89	150
	Limonite	Inferred	6,817	4,741	1.25	36.45	59
Taganito	Saprolite	Measured and Indicated	57,922	40,459	1.67	9.72	676
	Limonite	Measured and Indicated	136,634	91,565	1.05	46.16	961
	Saprolite	Inferred	4,206	2,914	1.58	11.77	46
	Limonite	Inferred	152	102	0.68	52.06	1
Cagdianao	Saprolite	Measured and Indicated	29,243	19,495	1.49	12.99	291
	Limonite	Measured and Indicated	29,045	19,363	1.12	38.25	217
	Saprolite	Inferred	4,083	2,722	1.38	14.22	38
	Limonite	Inferred	863	576	1.31	30.14	8
Hinatuan	Saprolite	Measured and Indicated	6,454	4,303	1.34	12.26	58
	Limonite	Measured and Indicated	9,642	6,428	0.90	31.74	58
	Saprolite	Inferred	1,447	965	1.27	11.71	12
	Limonite	Inferred	2,391	1,594	0.84	31.29	13
Geogen	Saprolite	Measured and Indicated	43,615	28,350	1.20	13.78	340
	Limonite	Measured and Indicated	60,830	39,540	1.23	43.32	486
	Saprolite	Inferred	25,046	16,280	1.14	13.95	186
	Limonite	Inferred	8,800	5,720	1.06	42.33	61
Total Resources	**Saprolite**	**Measured and Indicated**	**162,266**	**108,218**	**1.50**	**12.01**	**1,620**
	Limonite	**Measured and Indicated**	**283,659**	**190,007**	**1.12**	**42.57**	**2,121**
	Saprolite	**Inferred**	**49,984**	**32,361**	**1.33**	**13.11**	**432**
	Limonite	**Inferred**	**19,023**	**12,732**	**1.11**	**38.29**	**142**

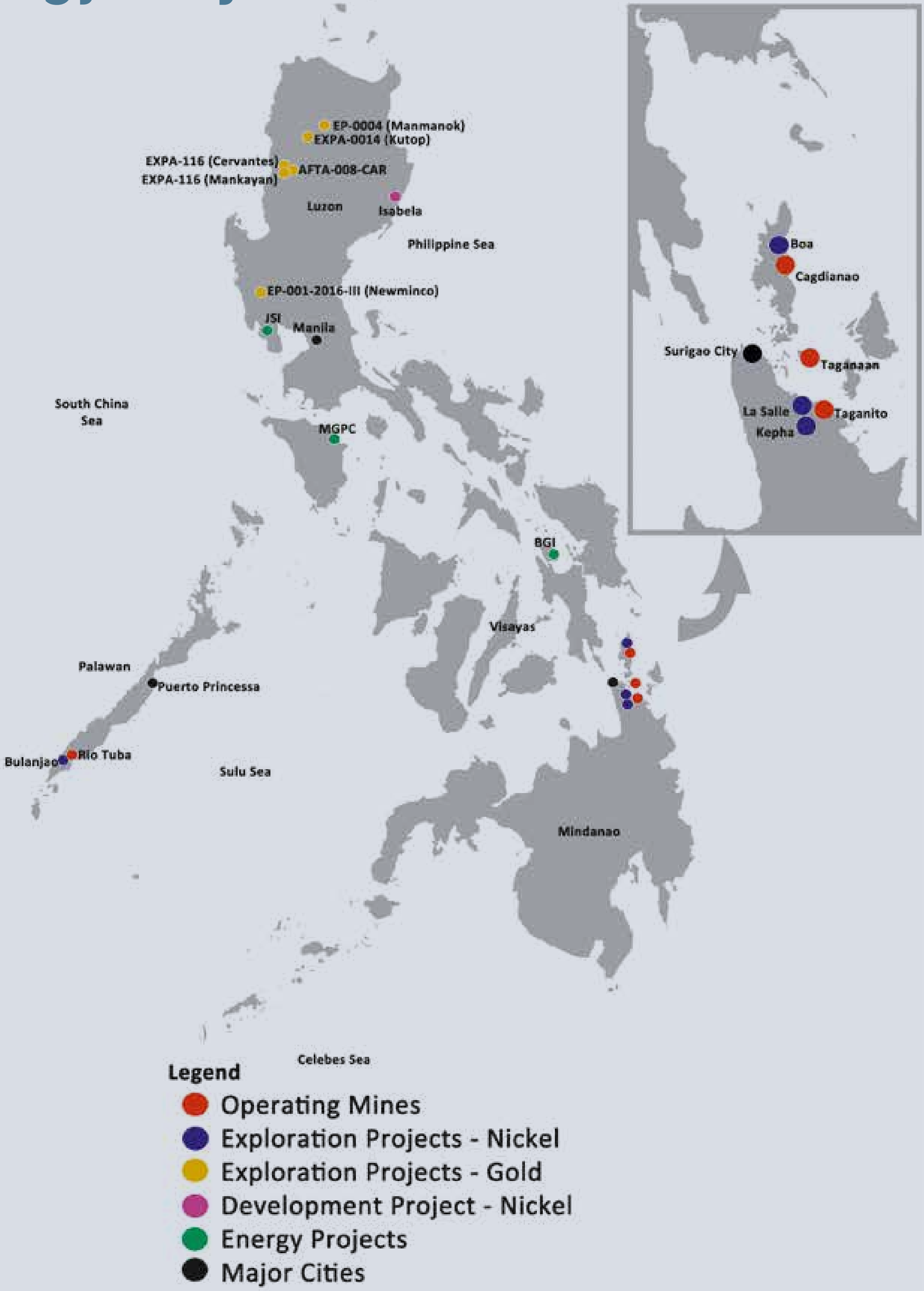
This summary was prepared by Radegundo S. de Luna, who is a Consultant Geologist for Nickel Asia Corporation. Mr. de Luna is a Competent Person for Exploration and Mineral Resource Estimation under the PMRC. He has sufficient experience which is relevant to the type of deposit and mineralization.

(1) Ore Reserves and Mineral Resource tonnages are shown in full. Nickel Asia Corporation owns 60% of Rio Tuba, 65% of Taganito, and 100% of the Cagdianao and Hinatuan operations.
(2) Inclusive of Mineral Resources converted to Ore Reserves

Note: Cut-off grades used to estimate Ore Reserves and Mineral Resources are as follows:

Rio Tuba	**Saprolite:** ≥ 0.80% Ni, ≤ 20.00% Fe;	**Limonite High Fe:** < 0.80% Ni, > 45.00% Fe	**Limonite HPAL:** ≥ 0.80% Ni, > 20.00% Fe;
Taganito	**Saprolite:** ≥ 1.22% Ni, < 20.00% Fe;	**Limonite High Fe:** 0.01% Ni < x < 0.80% Ni, ≥ 48.00% Fe	**Limonite HPAL:** ≥ 0.80% Ni, ≥ 20.00% Fe;
Cagdianao	**Saprolite:** ≥ 1.00%Ni, ≤ 20%Fe;	**Limonite High Fe:** *regardless of* %Ni, > 20.00% Fe	
Taganaan	**Saprolite:** ≥ 1.00%Ni, ≤ 20%Fe;	**Limonite High Fe:** *regardless of* %Ni, > 20.00% Fe	
Geogen	**Saprolite:** ≥ 1.00%Ni, ≤ 20%Fe;	**Limonite High Fe:** *regardless of* %Ni, > 20.00% Fe	

Map of Mineral Properties and Energy Projects



Financial Review

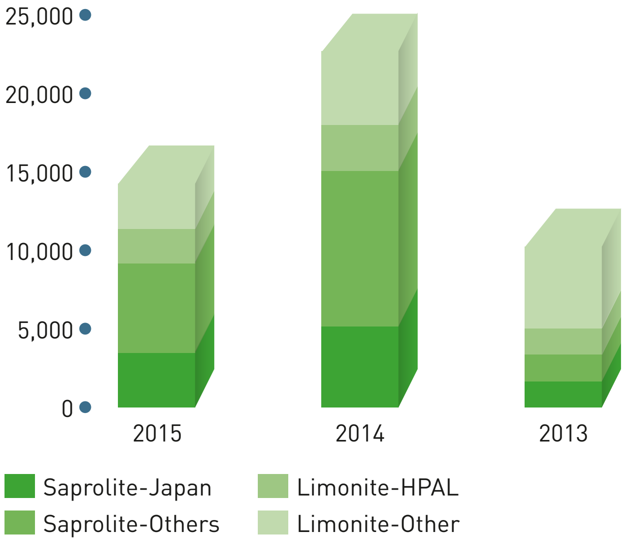
Revenues

	For the years ended December 31			% Change	
	2015	2014	2013	2015 vs 2014	2014 vs 2013
Sale of Nickel Ore					
Revenue (In Million Pesos)	14,382	23,737	10,322	-39	130
Volume (WMT '000)	19,672	17,873	13,998	10	28
Average Price – LME-based ($/lb.)	5.4	7.7	6.7	-30	15
Average Price – tonnage based ($/WMT)	22.6	45.1	21.3	-50	112
Sale of Limestone, Services and Others (In Million Pesos)	1,050	1,009	788	4	28
Total Revenue	15,432	24,746	11,110	-38	123

For the seventh consecutive year, shipment volumes increased in 2015, primarily due to higher direct exports of ore, mainly to China, from 10.47 million WMT in 2014 to 11.87 million WMT in 2015. Ore deliveries to the HPAL plants likewise increased to 7.80 million WMT in 2015 compared to 7.41 million WMT in 2014. Much lower nickel prices, however, led to a reduction in revenues to ₱15.4 billion in 2015 compared to ₱24.7 billion in 2014.

The Company realized an average of $5.36 per pound of payable nickel on its shipments of ore to the two HPAL plants in 2015, the pricing of which is linked to quoted prices in the London Metal Exchange (LME). This compares to an average price of $7.69 per pound of payable nickel sold in 2014 and $6.70 in 2013. With respect to export sales, the Company achieved an average price of $22.64 per WMT in 2015 compared to $45.10 in 2014 and $21.28 in 2013.

Revenue Breakdown Per Product (In Million Pesos)



Please refer to Pages 30 to 33 for the detailed breakdown of sales and production per operating mine.

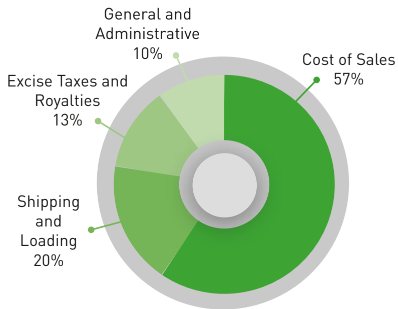
Operating Costs and Expenses

	For the years ended December 31			% Change	
(In Million Pesos)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Cost of Sales and Services	6,637	5,728	4,825	16	19
General and Administrative	913	956	624	-4	53
Excise Taxes and Royalties	1,090	1,755	649	-38	170
Total Operating Costs and Expenses	10,528	10,445	7,562	-	38
Total Cash Operating Costs and Expenses	8,640	8,981	5,872	-4	53

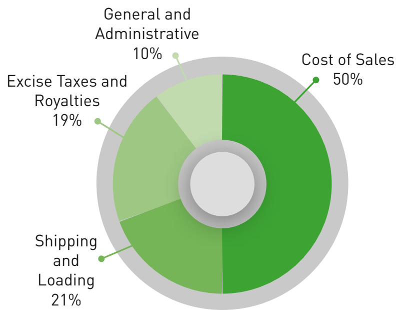
While shipment volumes increased by 10%, total cash operating costs and expenses decreased from ₱8.98 billion in 2014 to ₱8.64 billion in 2015, as a result of stringent cost cutting measures implemented at the mine sites.

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, and general and administrative expenses incurred by the Group. On a per WMT of ore sold, total cash costs and expenses decreased to ₱439.20 per WMT in 2015 as against ₱502.46 per WMT in 2014 and ₱419.49 per WMT in 2013.

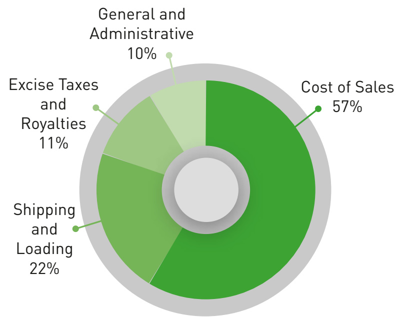
Cash Cost 2015



Cash Cost 2014



Cash Cost 2013



Net Income

	For the years ended December 31			% Change	
(In Million Pesos)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Net income	3,045	11,008	2,586	-72	326
Net income attributable to equity holders	2,035	8,552	2,054	-76	316

Net income is inclusive of a ₱811 million equity loss from the Company's 22.5% investment in THPAL and its 10% equity interest in CBNC due to much lower nickel prices. This compares to ₱522 million equity income reported in 2014 and P185 million equity loss in 2013.

The following are the relevant profitability ratios as of the end of 2015, 2014 and 2013.

	For the years ended December 31		
	2015	2014	2013
Return on assets	7%	31%	9%
Return on equity	10%	36%	10%
Net profit margin	20%	44%	23%

Financial Condition, Liquidity and Capital Resources
Cash Flows

	For the years ended December 31		
(In Million Pesos)	2015	2014	2013
Net cash flows from operating activities	4,992	11,252	4,212
Net cash flows used in investing activities	-9,286	-2,336	-1,891
Net cash flows used in financing activities	-2,195	-5,588	1,350

In line with the Company's growth strategy, in 2015, the Company spent ₱1.1 billion to acquire 100% of Geogen Corporation, which has a mining permit covering a nickel deposit in the province of Isabela, and, as part of the transaction, 10% of the outstanding shares of NiHAO

Mineral Resources International, Inc. The Company also secured the extension of its operating agreement over the Cagdianao mine for another period of 25 years, with reduced royalty rates depending on prices, through the grant of a ₱1 billion loan to the MPSA holder. Its 57%-owned subsidiary, CExCI concluded the purchase of 100% of Newminco Pacific Mining Corp. for ₱64.8 million, payable in installments, which has an Exploration Permit over an area in the province of Zambales with outcropping quartz veins, the sampling of which in part returned good assays for gold.

Also in 2015 the Company exercised its option to convert a ₱446 million loan into 55% equity ownership in EPI, thus formalizing its entry into the renewable power business. Subsequent to the conversion, the Company made an additional equity infusion of ₱474 million to increase its equity in EPI to 66%.

A summary of the Company's acquisitions in 2015 is presented below:

Acquired company	Business	% of interest acquired	Amount paid (in Million Pesos)
EPI	Renewable energy developer	66	920.0
Geogen Corporation	Mining	100	694.0[1]
NiHAO[2]	Mining	10	405.0
Newminco Pacific Mining Corp.[3]	Gold – Copper Exploration	100	64.8

[1] Includes ₱209.2 million for the assignment of receivables from the former owners of Geogen Corporation.
[2] As part of the Geogen transaction.
[3] Acquired through CExCI

In 2015, EPI proceeded with its initial project, the drilling of 2 wells at the Montelago geothermal field where it spent an additional ₱501 million until end of 2015, bringing the exploration costs to date to ₱1.2 billion. EPI also acquired two (2) companies namely, Jobin-SQM, Inc. which holds service contracts for solar and wind development in Subic Bay Freeport with a capacity of 100 MW and 50 MW, respectively, and Biliran Geothermal, Inc., which holds two (2) Geothermal Renewable Energy Service Contracts in Biliran. The development costs on the solar project totaled ₱2.1 billion in 2015.

The Company also continued with the annual upgrade of its mining fleet and facilities at its four operating mines, with total capital expenditures in 2015 of ₱1.8 billion compared to ₱1.3 billion in 2014. The bulk of the expenditures in 2015 were for the completion of two conveyor belt systems at the Taganito mine amounting to ₱644 million. The systems are designed to convey the bulk of the limonite ore requirements of over 5 million WMT per year to the Taganito THPAL plant at a cheaper operational cost than conventional trucking.

Capital expenditures for mining and acquisitions of new businesses were financed by available cash resources of the Company, while the development for the solar project of ₱2.1 billion in 2015 were financed by a bank loan obtained by EPI and guaranteed by the Company.

The Company has consistently paid cash dividends to its shareholders totaling ₱3,795.9 million in 2015, ₱2,021.7 million in 2014 and ₱705.3 million in 2013.

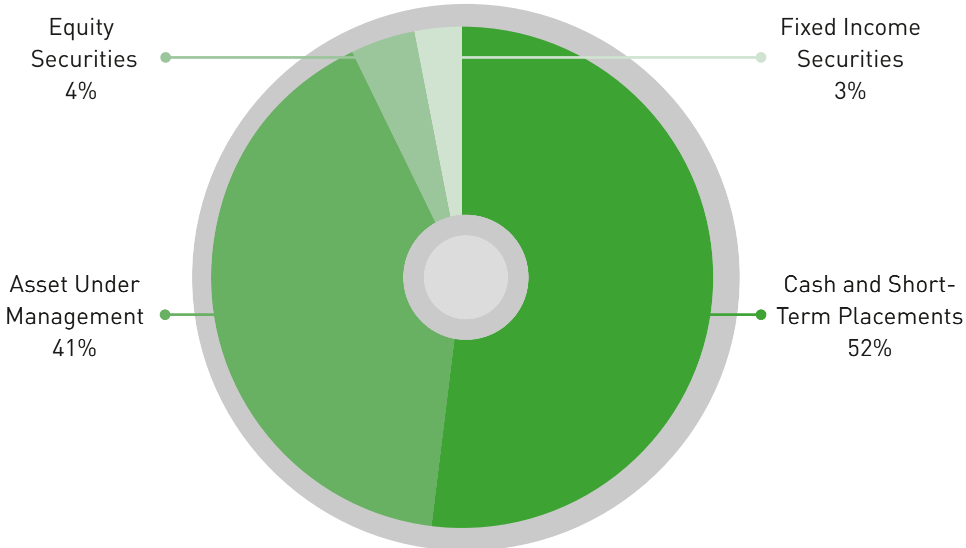
As at yearend, the Company's financial position reflected total assets of ₱41,646.2 million, an 18% increase from 2014.

Below is a summary of the financial position for 2015 and 2014.

(in Million Pesos)	December 31, 2015	December 31, 2014
Cash, Cash Equivalents and AFS investments	12,904	16,366
Other Current Assets	4,591	4,768
Noncurrent Assets	24,151	14,050
Total Assets	41,646	35,184
Current Liabilities	7,713	2,115
Noncurrent Liabilities	4,520	2,167
Equity Attributable to Equity Holders of the Parent Company	25,512	27,185
Non-controlling Interests	3,901	3,717
Total Equity	29,413	30,902

The composition of the Company's cash, cash equivalents and AFS investments at end of 2015 follows:

Cash, Cash Equivalents and AFS Investments
₱12,904 Million



The following are the relevant liquidity and debt-equity ratios as of end of calendar year 2015 and 2014:

	December 31, 2015	December 31, 2014
Current ratio	2.16	9.74
Quick ratio	1.69	8.13
Debt-to-equity ratio	0.42	0.14

The lower net income combined with the dividend payments to shareholders resulted to the decrease in the Equity net of controlling interests to ₱25,512 million as of end of 2015 from ₱27,185 million as of end of 2014.

Review of Operations

RIO TUBA NICKEL MINING CORPORATION
(RTN – 60% Owned)

The RTN operation was honored with the Presidential Mineral Industry Environmental Award, the highest recognition of environmental excellence in the Philippine mining industry, given during the 62nd Annual Mine Safety and Environment Conference in November 2015. RTN has also been recommended for ISO 14001:2004 Certification in April 2016.

Mining Volume

The volume of ore mined for the year amounted to 3,461,974 WMT, consisting of 2,367,548 WMT of saprolite ore and 1,094,426 WMT of limonite ore. The stripping volume amounted to 138,420 WMT.

RTN also retrieved 1,189,749 WMT of saprolite ore and 3,437,612 WMT of limonite ore from stockpiles to meet the budgeted annual saprolite shipment volume and to provide limonite ore feed to the Coral Bay HPAL facility, respectively. Furthermore, 912,262 WMT of oversized materials were recovered from ore delivered to the plant, which can be utilized for low-grade saprolite ore shipments.

Shipments

RTN sold a total of 6,551,888 WMT of nickel ore in 2015, an increase of almost 10% compared to last year's volume of 5,972,388 WMT. High-grade saprolite ore totaling 248,561 WMT and medium-grade saprolite ore totaling 508,004 WMT were sold to Pacific Metals Co., Ltd. (PAMCO) and Sumitomo Metal Mining Co., Ltd. (SMM) at an average price of US$ 36.67 per WMT.

Medium-grade saprolite ore totaling 2,312,220 WMT was sold to Chinese customers at an average price of US$ 21.23 per WMT. Medium-grade saprolite ore totaling 111,460 WMT was also sold to Australia at an average price of US$ 21.80 per WMT.

Low-grade limonite ore totaling 3,371,643 WMT was delivered to the Coral Bay HPAL plant. The realized LME nickel price for this tonnage averaged US$ 5.35 per pound of payable nickel. In addition, 382,840 WMT of crushed limestone was sold to Coral Bay while 210,439 WMT was sold to Unichamp Mineral Philippines Inc. (UMPI). RTN also provided a variety of services such as handling and hauling of materials and supplies for the Coral Bay plant.

	2015	2014	2013
Tonnage Mined (In WMT)			
Saprolite	2,367,548	2,190,463	1,491,877
Limonite	1,094,426	1,170,703	1,532,890
Sales Data			
Saprolite – Japan (WMT)	756,565	917,257	376,176
Average nickel grade	1.57%	1.59%	1.73%
Average price (per WMT)	US$ 36.67	US$ 51.12	US$ 30.19
Saprolite – China (WMT)	2,312,220	1,353,255	1,352,072
Average nickel grade	1.41%	1.48%	1.50%
Average price (per WMT)	US$ 21.23	US$ 45.11	US$ 13.73
Saprolite – Australia (WMT)	111,460	--	--
Average nickel grade	1.36%	--	--
Average price (per WMT)	US$ 21.80	--	--
Limonite – China (WMT)	--	319,050	640,901
Average nickel grade	--	0.85%	0.84%
Average price (per WMT)	--	US$ 21.46	US$ 19.72
Limonite – CBNC (WMT)	3,371,643	3,382,826	3,405,281
Average nickel grade	1.17%	1.20%	1.21%
Average payable nickel	7.00%	7.16%	6.68%
Average realized LME price (per pound)	US$ 5.35	US$ 7.67	US$ 6.78

TAGANITO MINING CORPORATION
(TMC - 65% Owned)

The TMC operation received the Best Mining Forest Award for its reforestation efforts within and beyond its mining operation, given during the 62nd Annual Mine Safety and Environment Conference in November 2015. TMC has also been recommended for ISO 14001:2004 Certification in April 2016.

Mining Volume

The volume of ore mined for the year amounted to 7,026,542 WMT, consisting of 2,656,788 WMT of saprolite ore and 4,369,754 WMT of limonite ore. As the ore was exposed on surface, no stripping was required. In addition, 919,924 WMT of limonite ore allocated to the Taganito HPAL facility was retrieved from stockpiles to augment ore deliveries to the plant.

To compensate for the lower nickel price compared to the previous year, the operations focused on mining of the higher value saprolite ore. Production activities were also extended until year-end whenever weather conditions permitted in order to maximize tonnage.

In early 2016, a revamp of the discharge end of the Taga-3 conveyor and a second (Taga-1) conveyor were completed and became operational. The two conveyor systems are designed to convey about 80% of the limonite ore requirement to the Taganito HPAL plant on a year-round basis and in a more cost effective manner than conventional trucking. TMC is the first lateritic nickel operation in the country to use conveyors for delivery of ore.

Shipments

TMC sold a total of 7,740,668 WMT of nickel ore in 2015, an increase of 9% compared to last year's volume of 7,087,681 WMT. High-grade and medium-grade saprolite ore totaling 647,191 WMT were sold to PAMCO at an average price of US$ 48.35 per WMT. Medium-grade saprolite ore totaling 1,853,716 WMT and 813,473 WMT of limonite ore were sold to Chinese customers at an average price of US$ 24.66 per WMT and $12.56 per WMT, respectively.

Low-grade limonite ore totaling 4,426,288 WMT was delivered to the Taganito HPAL plant, which was on its second year of commercial operations. The realized LME nickel price for this tonnage averaged US$ 5.36 per pound of payable nickel. In addition, TMC provided a variety of services such as handling and hauling of materials and supplies for the Taganito HPAL plant.

	2015	2014	2013
Tonnage Mined (in WMT)			
Saprolite ore	2,656,788	2,268,154	1,325,051
Limonite ore	4,369,754	3,750,545	4,295,332
Sales Data			
Saprolite - Japan (WMT)	647,191	655,919	445,012
Average nickel grade	1.70%	1.69%	1.76%
Average price (per WMT)	US$ 48.35	US$ 63.83	US$ 34.78
Saprolite - China (WMT)	1,853,716	1,610,412	971,576
Average nickel grade	1.50%	1.54%	1.62%
Average price (per WMT)	US$ 24.66	US$ 60.46	US$ 17.31
Limonite - China (WMT)	813,473	797,996	1,602,333
Average nickel grade	0.96%	0.98%	0.93%
Average price (per WMT)	US$ 12.56	US$ 26.73	US$ 21.63
Limonite - THPAL (WMT)	4,426,288	4,023,354	874,229
Average nickel grade	1.09%	1.00%	1.05%
Average payable nickel	6.01%	6.17%	5.89%
Average realized LME price (per pound)	US$ 5.36	US$ 7.71	US$ 6.33

HINATUAN MINING CORPORATION

(HMC - 100% Owned)

HMC has been recommended for ISO 14001:2004 Certification in April 2016.

Mining Volume

The volume of ore mined for the year amounted to 3,362,550 WMT, consisting of 781,465 WMT of saprolite ore and 2,581,085 WMT of limonite ore. The stripping volume amounted to 1,003,723 WMT.

A significant improvement in saprolite production for the year was realized with the installation of an in-pit crusher (MMD sizer) in mid-2015. With its beneficiation capacity of 500 tons per hour, a 205% increase in saprolite production was achieved compared to the previous year.

Shipments

HMC sold a total of 3,209,477 WMT of nickel ore in 2015, 7.3% lower than the prior year's volume of 3,462,944 WMT. The reduction was the result of a decision to reduce sales of limonite ore due to low prices and increase sales of the higher value saprolite ore. Medium-grade saprolite ore totaling 649,662 WMT and 2,559,815 WMT of limonite ore were sold to Chinese customers at an average price of US$ 26.53 per WMT and $13.10 per WMT, respectively.

	2015	2014	2013
Tonnage Mined (in WMT)			
Saprolite	781,465	255,521	212,837
Limonite	2,581,085	3,056,056	2,691,357
Sales Data			
Saprolite – China (WMT)	649,662	314,083	99,043
Average nickel grade	1.53%	1.58%	1.73%
Average price (per WMT)	US$ 26.53	US$ 71.95	US$ 29.05
Limonite – China (WMT)	2,559,815	3,148,861	3,342,936
Average nickel grade	0.87%	0.88%	0.84%
Average price (per WMT)	US$ 13.10	US$ 29.30	US$ 23.15

CAGDIANAO MINING CORPORATION
(CMC - 100% Owned)

The CMC operation received the Titanium Award, the third highest category of environmental awards, given during the 62nd Annual Mine Safety and Environment Conference in November 2015. CMC has also been recommended for ISO 14001:2004 Certification in April 2016.

Mining Volume

The volume of ore mined for the year amounted to 2,092,514 WMT, consisting of 1,212,388 WMT of saprolite ore and 880,126 WMT of limonite ore. The stripping volume amounted to 948,021 WMT. The mined volume increased by a significant 91% compared to the previous year, in large part the result of the in-pit crusher that was installed in the latter part of 2014.

Shipments

CMC achieved record sales volume of 2,169,523 WMT of ore in 2015, 61% higher than the prior year's 1,350,299 WMT. The increase in volume mined and the revamp of the loading facility to increase barging capacity, which allowed for the simultaneous loading of ore to up to four vessels, were the primary factors that led to the record sales volume. It should be noted that CMC has a relatively short shipping season given the high ocean swells that typically occur in this part of the country.

High-grade saprolite ore totaling 245,522 WMT was sold to PAMCO at an average price of US$ 54.06 per WMT. Medium-grade saprolite ore totaling 482,512 WMT and 1,177,815 WMT of medium-grade limonite ore were sold to Chinese customers at an average price of US$ 27.11 per WMT and US$18.37 per WMT, respectively. Medium-grade limonite ore totaling 263,674 WMT was also sold to Australia at an average price of US$13.63 per WMT.

	2015	2014	2013
Tonnage Mined (in WMT)			
Saprolite	1,212,388	966,559	426,458
Limonite	880,126	127,425	166,853
Sales Data			
Saprolite – Japan (WMT)	245,522	249,605	199,676
Average nickel grade	1.76%	1.80%	1.82%
Average price (per WMT)	US$ 54.06	US$ 98.60	US$ 33.84
Saprolite – China (WMT)	482,512	640,000	150,607
Average nickel grade	1.50%	1.55%	1.76%
Average price (per WMT)	US$ 27.11	US$ 64.91	US$ 29.92
Limonite – China (WMT)	1,177,815	302,297	538,549
Average nickel grade	1.35%	1.22%	1.37%
Average price (per WMT)	US$ 18.37	US$ 37.09	US$ 10.67
Limonite – Australia (WMT)	263,674	158,397	--
Average nickel grade	1.15%	1.25%	--
Average price (per WMT)	US$ 13.63	US$ 28.45	--

Review of Exploration

NICKEL

RTN

Drilling within the mining tenement was focused on the Umawi area with a total of 108 holes equivalent to 1,196 meters completed. The drilling resulted in the upgrading of 0.6 million WMT of ore, composed of 0.3 million WMT of saprolite and 0.3 million WMT of limonite ore, previously classified as inferred and indicated mineral resource to the measured resource category.

The conversion of the expired Mining Lease Contract into a Mineral Production Sharing Agreement (MPSA) on the Bulanjao property, adjacent to the current mining area, is ongoing. The Strategic Environmental Plan (SEP) clearance was issued by the Palawan Council for Sustainable Development in December 2014. Currently, an Environmental Impact Assessment (EIA) is being prepared for the Environmental Compliance Certificate (ECC) application. Partial drilling conducted in the past has resulted in measured and indicated mineral resources of 19 million WMT of limonite ore with average grades of 1.24% Ni and 35.5% Fe and 11.1 million WMT of saprolite ore with an average grade of 1.77% Ni. Further drilling will be undertaken upon the issuance of the MPSA.

TMC

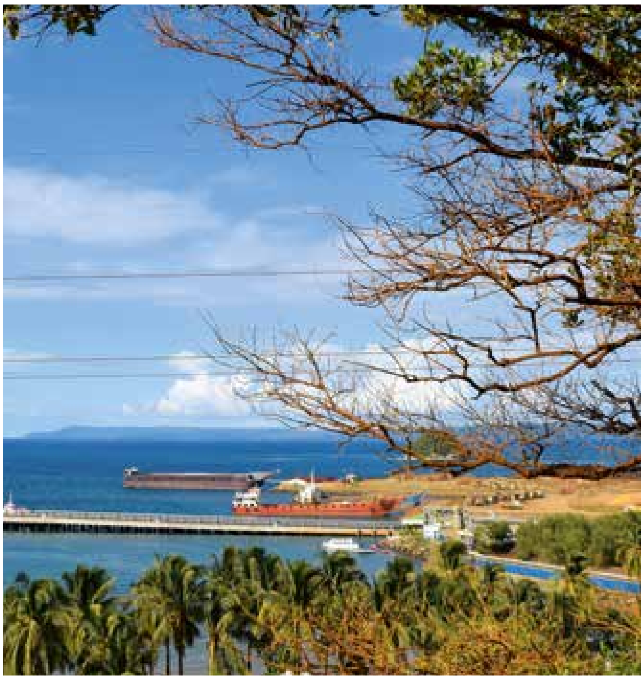
Drilling conducted by TMC within the MPSA was done in the southern most areas of the Taga-1 and Taga-3 deposits and Hayanggabon ridges. A total of 275 holes with an aggregate length of 2,507.39 meters were completed. The initial resource estimate shows a combined indicated and measured limonite resource of 3.3M WMT at 1.07% Ni and 47.01% Fe, and indicated saprolite resource of 1.0M WMT at 1.54% Ni.

Exploration activities at the adjacent Kepha Mining Exploration Company claim, where TMC has an operating agreement, did not resume as planned for this year.
This is due to the additional negotiations that had to be

conducted with the Indigenous People (IP) group from a nearby barangay who wanted to be included as part of the directly affected IP community. After much discussion, it was agreed that the IP group would be included by an addendum to the previously conducted Free and Prior Informed Consent (FPIC). This will be followed by a Memorandum of Agreement among the tribal leaders and final approval by the National Commission on Indigenous Peoples. The application for the second renewal of the Exploration Period will then follow.

CMC

Drilling was conducted in the Boa tenement adjacent to the CMC operations, where CMC has an operating agreement with Norweah Metals and Minerals Co., Inc. A total of 36 holes were drilled at random intervals in nickel laterite landforms with an accumulated meterage of 422.5 meters. The intercepted weathered profile is relatively thin, averaging at 10.71 meters with low average nickel and iron grades.



The limonite zone has an average thickness of 3.54 meters with grades of 0.49% Ni, 37.35% Fe and 2.38% Cr_2O_3. The soft saprolite zone is approximately 4.48 meters thick, with average grades of 0.44% Ni, 12.42% Fe and 0.97% Cr_2O_3. Below the soft saprolite zone is a layer of mixed soft and hard saprolite with increased bedrock floats, called the rocky saprolite zone, with very low ore grades.

Geological mapping and surface sampling activities were also conducted to verify the occurrence of chromite in the area. Chromite in sandy and lumpy forms were mapped on the central ridge, bounded by two northeast-trending lineaments. The grade of sandy chromite in grab and core samples ranges from 3.19% to 8.75% Cr_2O_3. Chromite lumps, 2 to 4cm in size, have grades ranging from 8.85% to 46.42% Cr_2O_3.

The low nickel and iron grades obtained through drilling indicates poor enrichment of the weathered profile in the area. However, the occurrence of metallurgical-grade chromite warrants further study. The succeeding exploration activities at Boa will be focused on the delineation of chromite occurrences through geophysical methods.

Geogen Corporation
(Geogen – 100%-owned)

NAC acquired Geogen on 04 August 2015, which holds a mineral property under MPSA No. 258-2007-II. The property is located in the northeastern portion of Luzon, near the coast in Brgy. Dimaluade, municipality of Dinapigue, province of Isabela. The project is known as the Isabela Nickel Mining Project, which covers an area of 2,392 hectares.

Exploration drilling started in the latter part of 2015 to primarily confirm the accuracy of previous drilling results and to block additional resources. This activity is ongoing. Development work has also started, principally on the repair & maintenance of access roads and environmental control facilities. Studies are also underway for a design of a new causeway to serve as the loading facility for shipments of ore. It is expected that construction of the causeway will commence in the second half of 2016. Community and environmental baselining is also being carried out, as well as the implementation of the Social Development and Management Program.

GOLD AND COPPER

Cordillera Exploration Co., Inc.
(CExCI – 57% Beneficially-owned)

CExCI has an Exploration Permit (EP) over the Manmanok Property in Apayao Province, an application for EP over the Kutop Property in the province of Abra, and an application for Financial and Technical Assistance Agreement (FTAA) over the Mankayan Property, within the adjoining provinces of Benguet, Ilocos Sur and Mountain Province, part of which is in the process of conversion to EPs.

In December 2015, CExCI purchased 100% of Newminco Pacific Mining Corporation (Newminco), which has an EP in the province of Zambales over an area that is prospective for gold-copper mineralization. As a result of such purchase, CExCI's 25% shareholder, Sumitomo Metal Mining, Inc. (SMM), has made an additional equity contribution of $2.8 million in December 2015 to increase its equity to 40%. The transaction is pending approval by the Securities and Exchange Commission. Once approved, NAC's equity in CExCI will be reduced to 57%.

Newminco Pacific Mining Corporation
(Newminco – 100% CExCI-owned)

Newminco, acquired by CExCI in December 2015, holds an EP for copper, gold, and related base and precious metals over an area located in Cabangan, San Felipe, and San Marcelino in the province of Zambales. The decision to acquire the company was made following the discovery of outcropping quartz veins, the sampling of which in part returned good assays for gold.

Exploration activities being conducted in the area include geologic mapping, sampling and trenching. The initial results of the exploration work are encouraging and drilling of the gold veins is scheduled for the 2nd quarter of 2016.

Mankayan

The Mankayan property is located within two regions, the Cordillera Administrative Region (CAR) and Region I, and originally consisted of a FTAA application designated as AFTA-008. A decision was made to partially convert the AFTA to an application for EP. Since the area to be converted to an EP straddles two regions and involves ancestral lands belonging to separate tribes, in order to facilitate the required "Free and Prior Informed Consent" (FPIC), two applications for EP were filed: EXPA 116-Mankayan, covering an area of approximately 5,157 hectares; and EXPA 116-Cervantes, covering an area of approximately 6,012 hectares. The remaining portion of AFTA-008, within the provinces of Benguet and Mt. Province, consists of approximately 43,320 hectares. The FPIC over the Mankayan area is now in process, while the FPIC for the Cervantes area should commence within the first half of 2016.

The Mankayan-Cervantes area is underlain by the same lithological units, and subjected to the same tectonic regimes that have rendered the district highly faulted and fractured. Three mineralization types can be found In the Mankayan sector: a) gold-rich porphyry copper mineralization, with the Far South East and Guinaoang deposits as examples; b) high-sulphidation copper and gold mineralization, as typified by the Lepanto Consolidated enargite ore body; and c) intermediate-sulphidation gold and base metals mineralization, examples of which are the Victoria and Suyoc ore bodies of Lepanto. Because of the similarities in lithological and structural controls, it could reasonably be expected that the same controls and styles of mineralization in the Mankayan sector are also present in the Cervantes sector.

Manmanok

The Manmanok property is located within the Municipality of Conner, Apayao Province. The property is covered by EP-004-2006-CAR, which was first granted in October 2006 and subsequently renewed twice with the corresponding reduction in area coverage. The final area covered by the permit is approximately 4,996 hectares.

Following the second renewal of the permit in April 2011, a Stage 1 exploration program consisting of detailed mapping and sampling and a reinterpretation of previous geophysical and geochemical data was implemented. Argillic zones were delineated and a diamond drilling program consisting of nine drill holes with a total of 2,367.70 meters was completed. Gold mineralization was confirmed, although low in grade. The possibility of higher-grade mineralization still exists at the base of the limestone unit within the argillic zones.

A decision on further work will be made should the third renewal request of the EP be approved. The remoteness of the area, its lack of infrastructure and other factors will be considered in this determination.

A Terminal Report on the Environmental Activities, and a Final Accomplishment Report of the company's Community Development Program (CDP) covering the period of the 2nd renewal term, October 2011 to October 2013, have been submitted to MGB-CAR and cleared as of July 2014.

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 designated as EXPA-014-CAR.

As the area is ancestral land, CExCI is required to obtain a FPIC from the tribal group prior to the grant of the EP. Considerable delays have been experienced with the National Commission on Indigenous Peoples in moving this process forward. In the meantime, a deadline imposed by the Mines & Geosciences Bureau to complete this process has not been met. A letter requesting for the extension of the deadline is pending.

Audit Committee's Statement

In compliance with the Charter of the Company's Audit Committee, we confirm that:

- The Audit Committee is composed of three (3) members one of whom is an Independent Director who is also the Chairman of the Committee;
- The Audit Committee had four (4) meetings for the year 2015;
- The then Audit and Risk Committee recommended to the Board the creation of a separate Risk Committee;
- The Audit Committee, for the year 2015, performed its oversight functions over the Company's financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations through the review of the various reports submitted by the internal and external auditors.
- The Internal Auditor functionally reports directly to the Audit Committee and is free and independent from interference by outside parties;
- Prior to the commencement of the 2015 audit, the Audit Committee discussed with SGV & Co. the nature, scope and expenses of the audit, including non-audit work and confirmed that the non-audit work did not conflict with the duties of the external auditor nor pose threat to their independence;
- The Audit Committee reviewed the quarterly, half-year, and, together with the Company's external auditor, Sycip Gorres Velayo & Co. (SGV & Co.), the annual financial statements of the Company for the year 2015 before their submission to the Board. The Audit Committee further recommended the inclusion of the Company's Consolidated Financial Statements as of 31 December 2015 in the Company's Annual Report and the Company's SEC Form 17-A Report;
- The Audit Committee evaluated the performance of SGV & Co. and recommended to the Board the reappointment of SGV & Co. as external auditor of the Company.

Respectfully submitted.

FREDERICK Y. DY
Audit Committee Chairman

GERARD H. BRIMO
Member

TAKANORI FUJIMURA
Member

Statement of Management's Responsibility for Financial Statements

The management of Nickel Asia Corporation and Subsidiaries ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, 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 Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Manuel B. Zamora, Jr.
Chairman of the Board

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President / Chief Financial Officer

Signed this 15th day of March 2016

Independent Auditors' Report

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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

We have audited the accompanying consolidated financial statements of Nickel Asia Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended December 31, 2015, 2014 and 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A-1 (Group A),
January 7, 2016, valid until January 6, 2019
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5321646, January 4, 2016, Makati City

March 15, 2016

Consolidated Statements of Financial Position

(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱7,073,171**	₱13,561,803
Trade and other receivables (Note 5)	**962,151**	1,358,035
Inventories (Note 6)	**3,211,269**	2,863,181
Available-for-sale (AFS) financial assets (Note 7)	**5,013,919**	2,281,632
Prepayments and other current assets (Note 8)	**417,432**	546,819
Total Current Assets	**16,677,942**	20,611,470
Noncurrent Assets		
Property and equipment (Note 9)	**9,074,089**	6,598,993
Geothermal exploration and evaluation assets (Note 13)	**6,114,914**	–
Investments in associates (Note 11)	**4,764,087**	5,304,040
AFS financial assets - net of current portion (Note 7)	**817,118**	522,797
Long-term stockpile inventory - net of current portion (Note 12)	**584,740**	812,760
Deferred income tax assets - net (Note 36)	**153,260**	207,967
Investment properties (Note 10)	**29,000**	29,000
Other noncurrent assets (Note 14)	**3,431,058**	1,096,881
Total Noncurrent Assets	**24,968,266**	14,572,438
TOTAL ASSETS	**₱41,646,208**	₱35,183,908
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	**₱7,125,713**	₱1,482,640
Short-term debt (Note 16)	**180,000**	–
Income tax payable	**113,939**	513,598
Current portion of long-term debt (Note 16)	**124,521**	118,329
Other current liability (Note 39l)	**169,058**	–
Total Current Liabilities	**7,713,231**	2,114,567
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**3,357,733**	1,313,203
Provision for mine rehabilitation and decommissioning (Note 17)	**169,926**	130,175
Deferred income - net of current portion	**67,039**	71,229
Long-term payable (Note 18)	**27,641**	–
Deferred income tax liabilities (Note 36)	**647,371**	421,050
Pension liability (Note 35)	**250,079**	231,338
Total Noncurrent Liabilities	**4,519,789**	2,166,995
Total Liabilities	**12,233,020**	4,281,562
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 19)	**3,805,670**	1,272,495
Stock dividends distributable (Note 19)	–	632,648
Additional paid-in capital (Note 19)	**8,284,767**	8,273,655
Other components of equity:		
Share in cumulative translation adjustment (Note 11)	**406,609**	82,154
Net valuation gains (losses) on AFS financial assets (Note 7)	**(134,467)**	171,322
Cost of share-based payment plan (Note 20)	**104,824**	47,060
Asset revaluation surplus	**32,863**	33,246
Retained earnings:		
Unappropriated	**12,011,607**	15,673,051
Appropriated (Note 19)	**1,000,000**	1,000,000
	25,511,873	27,185,631
Non-controlling Interests (NCI)	**3,901,315**	3,716,715
Total Equity	**29,413,188**	30,902,346
TOTAL LIABILITIES AND EQUITY	**₱41,646,208**	₱35,183,908

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2015	2014	2013
REVENUES (Note 34)			
Sale of ore	**₱14,795,649**	₱24,052,734	₱10,475,497
Services and others	**635,997**	692,970	634,032
	15,431,646	24,745,704	11,109,529
COSTS AND EXPENSES			
Cost of sales (Note 22)	**6,279,248**	5,356,411	4,489,294
Cost of services (Note 23)	**357,917**	371,150	335,292
Shipping and loading costs (Note 24)	**1,757,943**	1,837,568	1,398,771
Excise taxes and royalties (Note 25)	**1,089,603**	1,754,834	648,608
General and administrative (Note 26)	**912,854**	956,462	624,477
Marketing (Notes 39e and 39m)	**130,166**	168,943	65,629
	10,527,731	10,445,368	7,562,071
FINANCE INCOME (Note 29)	**305,112**	172,104	166,753
FINANCE EXPENSES (Note 30)	**(192,747)**	(164,771)	(128,640)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 11)	**(811,369)**	522,380	(184,703)
OTHER INCOME - net (Note 31)	**507,166**	470,897	309,783
INCOME BEFORE INCOME TAX	**4,712,077**	15,300,946	3,710,651
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 36)			
Current	**1,605,750**	4,265,468	1,169,504
Deferred	**61,536**	27,359	(45,289)
	1,667,286	4,292,827	1,124,215
NET INCOME	**₱3,044,791**	₱11,008,119	₱2,586,436
Net income attributable to:			
Equity holders of the parent	**₱2,035,143**	₱8,551,627	₱2,053,674
NCI	**1,009,648**	2,456,492	532,762
	₱3,044,791	₱11,008,119	₱2,586,436
Earnings per share (EPS; Note 21)			
Basic	**₱0.27**	₱1.13	₱0.27
Diluted	**₱0.27**	₱1.13	₱0.27

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
NET INCOME	**₱3,044,791**	₱11,008,119	₱2,586,436
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)	**360,506**	(54,876)	307,900
Income tax effect	**(36,051)**	(3,171)	(30,790)
	324,455	(58,047)	277,110
Net valuation gains (losses) on AFS financial assets (Note 7)	**(369,761)**	96,806	45,679
Income tax effect (Note 7)	**65,435**	(22,649)	(15,636)
	(304,326)	74,157	30,043
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	**20,129**	16,110	307,153
Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:			
Remeasurement gain (loss) on pension liability (Note 35)	**(9,047)**	62,960	(149,685)
Income tax effect	**2,715**	(18,888)	44,905
	(6,332)	44,072	(104,780)
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	**(6,715)**	43,689	(105,163)
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	**13,414**	59,799	201,990
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱3,058,205**	₱11,067,918	₱2,788,426
Total comprehensive income attributable to:			
Equity holders of the parent	**₱2,052,080**	₱8,592,028	₱2,292,064
NCI	**1,006,125**	2,475,890	496,362
	₱3,058,205	₱11,067,918	₱2,788,426

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2015, 2014 and 2013

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 19)	Stock Dividends Distributable (Note 19)	Additional Paid-in Capital (Note 19)	Share in Cumulative Translation Adjustment (Note 11)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 20)	Asset Revaluation Surplus	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 19)	Total	NCI	Total
Balances at December 31, 2014	₱1,272,495	₱632,648	₱8,273,655	₱82,154	₱171,322	₱47,060	₱33,246	₱15,673,051	₱1,000,000	₱27,185,631	₱3,716,715	₱30,902,346
Net income	–	–	–	–	–	–	–	2,035,143	–	2,035,143	1,009,648	3,044,791
Other comprehensive income (loss)	–	–	–	324,455	(305,789)	–	(383)	(1,346)	–	16,937	(3,523)	13,414
Total comprehensive income (loss)	–	–	–	324,455	(305,789)	–	(383)	2,033,797	–	2,052,080	1,006,125	3,058,205
Cost of share-based payment plan (Note 20)	–	–	–	–	–	57,764	–	–	–	57,764	–	57,764
Cash dividends (Note 19)	–	–	–	–	–	–	–	(3,795,885)	–	(3,795,885)	–	(3,795,885)
7% Cash dividends - Preferred share	–	–	–	–	–	–	–	(504)	–	(504)	–	(504)
Stock dividends (Note 19)	2,531,883	(632,648)	–	–	–	–	–	(1,899,235)	–	–	–	–
Exercise of stock options (Note 19)	1,292	–	11,112	–	–	–	–	–	–	12,404	–	12,404
Share of NCI in cash dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,055,000)	(1,055,000)
Share of NCI in subsidiaries	–	–	–	–	–	–	–	–	–	–	233,475	233,475
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	–	383	–	383	–	383
Balances at December 31, 2015	₱3,805,670	₱–	₱8,284,767	₱406,609	(₱134,467)	₱104,824	₱32,863	₱12,011,607	₱1,000,000	₱25,511,873	₱3,901,315	₱29,413,188

See accompanying Notes to Consolidated Financial Statements.

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings				
	Capital Stock (Note 19)	Stock Dividends Distributable (Note 19)	Additional Paid-in Capital (Note 19)	Share in Cumulative Translation Adjustment (Note 11)	Net Valuation Gains on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 20)	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 19)	Total	NCI	Total
Balances at December 31, 2013	₱1,266,780	₱–	₱8,151,603	₱140,201	₱99,506	₱49,524	₱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)	–	–	–	(58,047)	71,816	–	(383)	27,015	–	40,401	19,398	59,799
Total comprehensive income (loss)	–	–	–	(58,047)	71,816	–	(383)	8,578,642	–	8,592,028	2,475,890	11,067,918
Cost of share-based payment plan (Note 20)	–	–	–	–	–	43,000	–	–	–	43,000	–	43,000
Cash dividends (Note 19)	–	–	–	–	–	–	–	(2,021,727)	–	(2,021,727)	–	(2,021,727)
7% Cash dividends - Preferred share	–	–	–	–	–	–	–	(504)	–	(504)	–	(504)
Stock dividends (Note 19)	–	632,648	–	–	–	–	–	(632,648)	–	–	–	–
Exercise of stock options (Note 19)	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	₱82,154	₱171,322	₱47,060	₱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										
							Retained Earnings				
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Share in Cumulative Translation Adjustment (Note 11)	Net Valuation Gains on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 20)	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 19)	Total	NCI	Total
Balances at December 31, 2012	₱1,013,938	₱8,117,558	(₱136,909)	₱65,199	₱57,464	₱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)	–	–	277,110	34,307	–	(383)	(72,644)	–	238,390	(36,400)	201,990
Total comprehensive income (loss)	–	–	277,110	34,307	–	(383)	1,981,030	–	2,292,064	496,362	2,788,426
Cost of share-based payment plan (Note 20)	–	–	–	–	10,369	–	–	–	10,369	–	10,369
Cash dividends (Note 19)	–	–	–	–	–	–	(705,252)	–	(705,252)	–	(705,252)
7% Cash dividends - Preferred share	–	–	–	–	–	–	(504)	–	(504)	–	(504)
Stock dividends (Note 19)	251,916	–	–	–	–	–	(251,916)	–	–	–	–
Exercise of stock options (Note 19)	926	34,045	–	–	(18,309)	–	–	–	16,662	–	16,662
Share of NCI in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	–	(480,000)	(480,000)
Appropriation (Note 19)	–	–	–	–	–	–	(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	₱140,201	₱99,506	₱49,524	₱33,629	₱9,748,905	₱1,000,000	₱20,490,148	₱4,721,640	₱25,211,788

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,712,077**	₱15,300,946	₱3,710,651
Adjustments for:			
Depreciation, amortization and depletion (Note 28)	**1,439,987**	1,373,334	1,262,651
Equity in net losses (income) of associates (Note 11)	**811,369**	(522,380)	184,703
Interest income (Note 29)	**(212,806)**	(160,847)	(159,445)
Unrealized foreign exchange losses (gains) - net (Note 31)	**(157,954)**	(91,147)	41,647
Loss (gain) on:			
Sale of AFS financial assets (Notes 7, 29 and 30)	**(86,250)**	(8,479)	(7,308)
Bargain purchase (Notes 31 and 32)	**(59,921)**	–	–
Sales of property and equipment (Note 31)	**(6,919)**	(9,693)	(82,005)
Write-off of deferred mine exploration costs (Note 31)	**5,461**	1,941	–
Write-off of input value added tax (VAT; Note 31)	**8**	12,548	6,752
Write-off of trade and other receivables (Note 31)	**–**	3,108	–
Sale of investment properties (Note 31)	**–**	–	(145,095)
Interest expense (Notes 23 and 30)	**77,530**	47,717	38,313
Cost of share-based payment plan (Note 20)	**57,764**	43,000	10,369
Provisions (reversals of allowance) for impairment losses on:			
Input VAT (Notes 8 and 31)	**54,484**	–	530
Materials and supplies (Notes 6 and 31)	**(35,961)**	5,394	(2,802)
Beneficiated nickel ore inventory (Notes 6 and 31)	**(13,239)**	(225,995)	(6,361)
Deferred mine exploration costs (Notes 14 and 31)	**1,233**	1,520	144,155
Property and equipment (Notes 9 and 31)	**–**	98,487	–
Trade and other receivables (Notes 5 and 31)	**–**	19	4,769
Dividend income (Notes 7 and 31)	**(25,827)**	(6,473)	(62,654)
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 17 and 30)	**8,520**	8,893	8,554
Movements in pension liability	**5,851**	(14,341)	52,998
Accretion income (Note 29)	**(3,933)**	(573)	–
Casualty losses (Note 31)	**2,516**	–	7,439
Day 1 loss (gain) (Notes 29 and 30)	**(2,123)**	2,123	–
Effect of change in estimate on provision for mine rehabilitation and decommissioning (Note 17)	**(88)**	756	–
Operating income before working capital changes	**6,571,779**	15,859,858	5,007,861
Decrease (increase) in:			
Trade and other receivables	**406,673**	(577,510)	83,614
Inventories	**(70,868)**	(429,408)	248,775
Prepayments and other current assets	**160,094**	(255,402)	(74,229)
Increase (decrease) in trade and other payables	**(203,959)**	572,792	73,959
Net cash generated from operations	**6,863,719**	15,170,330	5,339,980
Income taxes paid	**(2,005,409)**	(4,015,251)	(1,201,218)
Net cash flows from operating activities	**4,858,310**	11,155,079	4,138,762

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
AFS financial assets (Note 7)	**(₱13,392,836)**	(₱1,397,019)	(₱374,074)
Property and equipment (Note 9)	**(3,908,652)**	(1,557,072)	(1,931,125)
Proceeds from:			
Sale of AFS financial assets (Note 7)	**10,163,700**	415,713	119,172
Sale of property and equipment and investment properties (Notes 9 and 10)	**8,538**	70,485	296,287
Insurance claims	**1,010**	–	–
Issuance of loans (Note 39q)	**(1,000,000)**	–	–
Acquisition of subsidiaries, net of cash acquired (Note 32)	**(800,792)**	–	–
Increase in:			
Geothermal exploration and evaluation assets (Note 13)	**(500,935)**	–	–
Other noncurrent assets	**(167,510)**	(22,202)	(230,152)
Interest received	**197,080**	147,758	166,316
Dividends received (Notes 7 and 11)	**114,817**	6,473	62,654
Net cash flows used in investing activities	**(9,285,580)**	(2,335,864)	(1,890,922)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 19 and 34)	**(4,303,909)**	(5,502,542)	(1,185,252)
Long-term debt	**(114,826)**	(115,685)	(118,473)
Rehabilitation cost (Note 17)	**(670)**	(10,401)	(10,149)
Proceeds from:			
Availment of long-term debt (Note 16)	**2,099,449**	–	–
Exercise of stock options (Note 20)	**12,404**	82,303	16,662
Increase (decrease) in:			
Other current liability (Note 39l)	**169,058**	–	–
Deferred income	**(4,190)**	(4,190)	(12,867)
Interest paid	**(52,472)**	(37,692)	(40,001)
Net cash flows used in financing activities	**(2,195,156)**	(5,588,207)	(1,350,080)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(6,622,426)**	3,231,008	897,760
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**13,561,803**	10,234,336	9,263,451
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**133,794**	96,459	73,125
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,073,171**	₱13,561,803	₱10,234,336

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

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

1. **Corporate Information**

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

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 ₱2.67 per share after the stock dividends.

The registered office address of the Parent Company is at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

The Subsidiaries

Hinatuan Mining Corporation (HMC)
HMC was registered with the SEC on October 9, 1979, is a 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.

Cagdianao Mining Corporation (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.

Samar Nickel Mining Resources Corporation (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.

La Costa Shipping and Lighterage Corporation (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. LCSLC was acquired by HMC in April 2010. On May 6, 2014, the Board of Directors (BOD) of LCSLC authorized the disposal of all of its LCT and on the same date, LCSLC entered into a Deed of Absolute Sale with HMC to sell all of its LCT.

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

Falck Exp Inc. (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.

Cordillera Exploration Co., Inc. (CExCI)
CExCI was registered with the SEC on October 19, 1994, is a seventy-one and 25/100 percent (71.25%) owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. It is currently not engaged in any development or commercial production activities.

Newminco Pacific Mining Corporation (Newminco)
Newminco was registered with the SEC on October 9, 2006, is a seventy-one and 25/100 percent (71.25%) owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources.

Taganito Mining Corporation (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 Taganito HPAL Nickel Corporation (THNC).

Rio Tuba Nickel Mining Corporation (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 Coral Bay Nickel Corporation (CBNC).

Emerging Power Inc. (EPI)
EPI was registered with the SEC on October 16, 2007, is a sixty-six percent (66%) owned subsidiary of the Parent Company and is primarily engaged in the renewable energy business.

Mindoro Geothermal Power Corporation (MGPC)
MGPC was registered with the SEC on May 7, 2014, is a sixty-six percent (66%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in the renewable energy business.

Manta Energy Inc. (MEI)
MEI was registered with the SEC on May 21, 2007, is a sixty-six percent (66%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users.

Biliran Holdings Inc. (BHI)
BHI was registered with the SEC on July 31, 2015, is a sixty-six percent (66%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidences of indebtedness or securities of this or any other corporation.

Jobin-SQM, Inc. (Jobin)
Jobin was registered with the SEC on January 6, 2010, is a sixty-six percent (66%) owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin was acquired by EPI on September 11, 2015.

Biliran Geothermal Inc. (BGI)
BGI was registered with the SEC on October 31, 2007, is a thirty-nine and 60/100 percent (39.60%) owned subsidiary of the Parent Company through EPI. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI's project, the Biliran Geothermal 25-year concession was estimated to supply 100 megawatts (MW) of power to the grid but according to research conducted by BGI, it can further produce up to 170 MW. BGI was acquired by BHI on December 17, 2015.

Mantex Services Inc. (Mantex)
Mantex was registered with the SEC on March 26, 2012, is a thirty-three percent (33%) owned subsidiary of the Parent Company through EPI. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

<u>Executive Order (EO) 79</u>
On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national Government and local Government units. Management believes that EO 79 has no major impact on its current operations since the operating subsidiaries and mines are covered by existing Mineral Production Sharing 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, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issuance by the Parent Company's BOD on March 15, 2016.

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. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. The Parent Company and its subsidiaries (collectively referred to as the Group) have the Philippine Peso as their functional currency and items included in the financial statements of each entity are measured using that functional and presentation (or reporting) currency. All amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the Group and its associates:

	Principal Place of Business	Principal Activities	Effective Ownership 2015	Effective Ownership 2014
Subsidiaries				
HMC	Philippines	Mining and Services	**100.00%**	100.00%
CMC	Philippines	Mining	**100.00%**	100.00%
SNMRC	Philippines	Mining	**100.00%**	100.00%
LCSLC [(a)]	Philippines	Services	**100.00%**	100.00%
Geogen	Philippines	Mining	**100.00%**	–
FEI [(b)]	Philippines	Mining	**88.00%**	88.00%
CExCI	Philippines	Mining	**71.25%**	71.25%
Newminco [(c)]	Philippines	Mining	**71.25%**	–
TMC	Philippines	Mining and Services	**65.00%**	65.00%
RTN	Philippines	Mining and Services	**60.00%**	60.00%
EPI	Philippines	Renewable Energy Developer	**66.00%**	–
MGPC [(d)]	Philippines	Renewable Energy Developer	**66.00%**	–
MEI [(d)]	Philippines	Power Generation, Trading and Services	**66.00%**	–
BHI [(d)]	Philippines	Services	**66.00%**	–
Jobin [(d)]	Philippines	Power Generation	**66.00%**	–
BGI [(d)]	Philippines	Power Generation	**39.60%**	–
Mantex [(d)]	Philippines	Management and Advisory Services	**33.00%**	–
Associates				
THNC	Philippines	Manufacturing	**22.50%**	22.50%
CBNC	Philippines	Manufacturing	**10.00%**	10.00%

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

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015 and 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and

- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

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

Changes in Accounting Policies and Disclosures
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), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at 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 amendment has no effect to the Group, since they have no defined benefit contribution plan with contributions from employees and third parties.

Improvements to PFRS
Improvements to PFRS, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These include:

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are not expected to have a significant effect to the Group. They include:

- 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 improvements have no significant 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 and clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (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 amendment has no impact on the Group's financial position or performance but the Group will consider this amendment for future business combination.

- 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 disclosure only but 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 is expected to have no significant 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) are not expected to have a significant effect to the Group. They include:

- 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; and
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  This is not 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, if early adopted). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property - Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-occupied 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 has no impact on the Group's financial position or performance.

<u>Standards and Interpretations Issued but not yet Effective</u>
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant effect on its financial statements.

Effective Date to be Determined:

- 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 SEC and the Financial Reporting Standards Council (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 financial statements of the Group since it has no agreements for the construction of real estate.

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* (Amendments)
  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. These 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.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12 , *Disclosure of Interests in Other Entities* and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. It also clarifies that only a

subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entities is consolidated. All other subsidiaries of an investment entity are measured at fair value. These amendments also allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entities of an associate or joint venture to its interests in subsidiaries. These amendments will not have any effect on the Group's financial statements.

- 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 for annual periods beginning on or after January 1, 2016, 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 other comprehensive income. 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. This standard would not apply since the Group is an existing PFRS preparer.

- PAS 1, *Disclosure Initiative* (Amendment)
  The amendments clarify the following:
  - The materiality requirements in PAS 1;
  - That specific line items in the statements of comprehensive income and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- 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 for annual periods beginning on or after January 1, 2016, 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 for annual periods beginning on or after January 1, 2016, 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 for annual periods beginning on or after January 1, 2016, 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) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current 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 to the Group.

- PFRS 7*, Applicability of the Offsetting Disclosures 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. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* - *Regional Market Issue regarding Discount Rate*
  The 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. This amendment is not relevant 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). The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 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 methodology for financial assets, but will have no effect on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the effect of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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 recognizing 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, 2018 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.

Effective January 1, 2019:

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces PAS 17, the current leases standard, and the related interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

<u>Summary of Significant Accounting Policies</u>

<u>Presentation of Consolidated Financial Statements</u>
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 the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. 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 financial 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) using the rate of exchange prevailing at the end of the financial reporting period and the consolidated statement of income is translated using the weighted average exchange rate 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 associate 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 financial 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 financial 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 financial 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 financial reporting period.

The Group classifies all other liabilities as noncurrent.

Cash and Cash Equivalents
Cash includes cash on hand, with banks and those under managed funds. Cash with banks and those under managed funds earn interest at the prevailing bank deposit rates. 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 financial 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, 2015 and 2014.

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, 2015 and 2014.

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 financial 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.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 financial 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 at the end of the financial 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 in 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.

The Group's financial asset at FVPL pertains to the bifurcated derivative asset arising from its convertible loan with EPI (see Notes 8 and 34).

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 financial 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 included under "Prepayments and other current assets", and loans receivable, mine rehabilitation fund (MRF), Social Development Management Program (SDMP) fund, long-term negotiable instrument, restricted cash and cash held in escrow which are included under "Other noncurrent assets" (see Notes 4, 5, 8 and 14).

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 financial reporting period. Otherwise, these are classified as noncurrent assets.

When the security is disposed of, the cumulative gain or loss previously recognized in "Net valuation gains (losses) on AFS financial assets" under equity is recognized in the consolidated statement of income. Where the Group holds more than one 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 uses the specific identification method in determining the cost of securities sold.

The Group's investments in debt and equity instruments 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, short-term and long-term debts, long-term payable and other obligations that meet the above definition (excluding government payables and other liabilities that are covered by other accounting standards, such as income tax payable and pension; see Notes 15, 16 and 18).

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.

Impairment of Financial Assets
The Group assesses at each end of the financial 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 financial 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 investment previously recognized in OCI) is removed from OCI 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 OCI under equity. 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 of 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, including the long-term stockpile inventory, are carried at the lower of cost and net realizable value (NRV). Cost is determined by the moving average production cost during the year for beneficiated nickel and limestone ore exceeding a determined cut-off grade and average handling costs of limonite ores. 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.

The long-term stockpile inventory 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 34a). 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 input tax, advances and deposits, tax credit certificates, short-term cash investment, derivative asset, and various prepayments which the Group expects to realize or consume the assets within twelve (12) months after the end of the financial reporting period.

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 goods and services, as applicable, and as required under Philippine taxation laws and regulations. Deferred input VAT, which represents input VAT on capitalized assets subject to amortization, and any excess input VAT which (1) may be utilized against output VAT, if any, beyond twelve (12) months from the end of the financial reporting period or (2) are being claimed for refund or as tax credits with the BIR and/or Court of Tax Appeals 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. The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when 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. 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, these are 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 directly attributable to the development of the Group's projects that necessarily take a substantial period of time to get ready for its intended sale are capitalized. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. 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 properties, which pertain to land, is measured initially 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.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

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.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are charged to profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, either in profit or loss or as a charge to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash generating unit (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment identified for segment reporting purposes.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Geothermal Exploration and Evaluation Assets

The Group follows the full cost method of accounting for its geothermal exploration and evaluation assets determined on the basis of the service contract. Under this method, all exploration costs relating to each service contract are accumulated and deferred under "Geothermal exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense. Once the technical feasibility and commercial viability of the project to produce proved reserves are established, the deferred charges shall be reclassified to property and equipment.

Geothermal exploration and evaluation assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of income in the year the item is derecognized.

Other Noncurrent Assets

Other noncurrent assets of the Group include deferred mine exploration costs, input tax, loan receivable, advances and deposits, MRF, project development costs, SDMP funds, long-term negotiable instrument, cash held in escrow, pension asset and other deposits. Aside from cash held in escrow, MRF, SDMP funds and restricted cash 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 financial reporting period.

Deferred Mine Exploration Costs
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.

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 financial 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 financial 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. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

Recovery of impairment loss 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 the consolidated statement of income. 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 financial 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.

Geothermal Exploration and Evaluation Assets and 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 financial reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:
- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to

proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Geothermal exploration and evaluation assets and deferred mine exploration costs are reassessed on a regular basis.

Other Current Liability
Other current liability pertains to deposits for future stock subscription which represents proceeds for stock subscription where actual issuance is not yet made.

The Group classifies its deposits for future stock subscription as a separate account under equity if and only if, all of the following elements are present as at the end of the financial reporting period:
- There is a lack of or insufficiency in authorized unissued shares of stock;
- The BOD and stockholders have approved an increase in authorized capital stock; and
- An application for the approval of the increase in authorized capital stock has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposits for future stock subscription shall be recognized and included as a separate line item under liabilities in the consolidated statement of financial position.

Deferred Income
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.

Provisions
General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the financial reporting period and adjusted to reflect the current best estimate. 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 financial 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.

<u>OCI</u>
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.

<u>Capital Stock</u>
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.

Unpaid subscriptions are recognized as a reduction from subscribed capital shares.

<u>Retained Earnings</u>
Retained earnings represent the cumulative balance of periodic net income or loss, 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, net of any dividend declaration.

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 financial reporting period are dealt with as an event after the end of the financial 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 Scholes-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 financial 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.

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

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

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

Sale of Beneficiated Nickel 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, other than THNC, the Group bills the remaining balance, generally at five percent (5%) 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 financial reporting period, the Group accrues the remaining five percent (5%) to twenty percent (20%) of the revenue based on the amount of the initial billing made. For THNC, one hundred percent (100%) of the revenue is billed monthly.

Rendering of Services
Revenue from rendering of services consists of shipsiding activities, service fees, usage fees, assaying 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.

Issuance of Fuel, Oil and Lubricants
Revenue is recognized upon release of inventory from the depot.

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 financial 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 or incurred.

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 at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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 financial 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; and
- 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 OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods. Remeasurements recognized in OCI 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 financial 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 financial 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 financial 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 each end of the financial 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 as at the end of the financial reporting period.

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI 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, power 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 42.

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 Financial Reporting Period
Post year-end events that provide additional information about the Group's position at the end of the financial 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 Philippine peso 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.

Determining Operating Lease Commitments - Group as a Lessee
The Group has entered into commercial, personal and real property leases. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:

- The ownership of the asset does not transfer at the end of the lease term;
- The Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is not for the major part of the economic life of the asset even if title is not transferred; and
- At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

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.

Distinction between Investment Properties and Owner - Occupied Properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, not for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as at financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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.

Assessing Units-of-Production Depletion
Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in estimates is accounted for prospectively.

Determining Whether Significant Influence Exists
The Parent Company recognized its twenty-two and a half percent (22.5%) and ten percent (10%) interest in THNC and CBNC, respectively, as investments in associates. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures,* the existence of significant influence by an entity is usually evidenced in one or more of the following ways:
- Representation on the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the entity and its investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Due to the nature of the Parent Company's involvement in THNC and CBNC and other various factors, the Parent Company assessed that significant influence exists (see Note 11).

Determining Capitalizability of Geothermal Exploration and Evaluation Assets
Careful judgment by management is applied when deciding whether the recognition requirements for geothermal exploration and evaluation assets relating to the Group's geothermal project have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at the end of each financial reporting period.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial 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 ₱962.2 million and ₱1,358.0 million as at December 31, 2015 and 2014, respectively (net of allowance for impairment losses of ₱19.5 million and ₱37.8 million as at December 31, 2015 and 2014, 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 financial 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, 2015 and 2014, inventories carried at lower of cost and NRV amounted to ₱3,211.3 million and ₱2,863.2 million, respectively (net of allowance for inventory losses of ₱104.5 million and ₱153.7 million as at December 31, 2015 and 2014, 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 ₱584.7 million and ₱812.8 million as at December 31, 2015 and 2014, 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 one (1) year. 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 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 2015 and 2014. The carrying values of AFS financial assets amounted to ₱5,831.0 million and ₱2,804.4 million as at December 31, 2015 and 2014, respectively (see Note 7).

Bifurcating and Valuing the Embedded Derivative on Convertible Loan with EPI
Management assesses that the equity conversion right is an embedded derivative which is required to be bifurcated from the covertible loan agreement between the Parent Company and EPI. 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, 2015 and 2014 amounted to nil and ₱5.5 million, respectively (see Notes 8 and 34f).

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 2015 and 2014.

The carrying values of property and equipment, except land, as at December 31, 2015 and 2014 amounted to ₱8,819.8 million and ₱6,344.7 million, respectively (net of accumulated depreciation, amortization and depletion of ₱7,461.6 million and ₱6,114.0 million and accumulated impairment losses of nil and ₱98.5 million as at December 31, 2015 and 2014, 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 2015 and 2014. As at December 31, 2015 and 2014, the Group provided an allowance for impairment losses on property and equipment amounting to nil and ₱98.5 million, respectively (see Notes 9 and 31).

The carrying values of property and equipment amounted to ₱9,074.1 million and ₱6,599.0 million as at December 31, 2015 and 2014, respectively (see Note 9). On the other hand, the carrying values of investment properties amounted to ₱29.0 million as at December 31, 2015 and 2014 (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 2015 and 2014 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 2015 and 2014. The carrying values of the Group's investments in associates amounted to ₱4,764.1 million and ₱5,304.0 million as at December 31, 2015 and 2014, respectively (see Note 11).

Estimating Recoverability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs
The application of the Group's accounting policy for geothermal exploration and evaluation assets and 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 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.

The carrying values of geothermal exploration and evaluation assets amounted to ₱6,114.9 million and nil as at December 31, 2015 and 2014, respectively (see Note 13).

Deferred mine exploration costs, included in "Other noncurrent assets", as at December 31, 2015 and 2014 amounted to ₱1,013.2 million and ₱63.6 million, respectively (net of allowance for impairment losses of ₱146.9 million and ₱145.7 million as at December 31, 2015 and 2014, respectively; see Note 14). The Group wrote-off deferred mine exploration costs amounting to ₱5.5 million and ₱1.9 million in 2015 and 2014, respectively (see Note 31).

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 ₱417.4 million and ₱341.3 million as at December 31, 2015 and 2014, respectively, while nonfinancial other noncurrent assets amounted to ₱2,284.7 million and ₱819.4 million as at December 31, 2015 and 2014, respectively (see Notes 8 and 14).

The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱71.3 million and ₱0.5 million as at December 31, 2015 and 2014, respectively (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2015 and 2014 amounted to ₱236.4 million and ₱145.7 million, respectively (see Note 14).

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 financial 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 ₱169.9 million and ₱130.2 million as at December 31, 2015 and 2014, respectively (see Note 17).

Determining Pension Benefits
The cost of defined benefit retirement as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions, as described in Note 35. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit pension liability are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit pension liability. All assumptions are reviewed at each end of the financial reporting period. 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, 2015 and 2014, pension asset included under "Other noncurrent assets" account amounted to nil and ₱6.1 million, respectively, and pension liability amounted to ₱250.1 million and ₱231.3 million as at December 31, 2015 and 2014, respectively (see Notes 14 and 35).

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 20. 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 2015, 2014 and 2013, with a corresponding charge to the equity account, amounted to ₱57.8 million, ₱43.0 million and ₱10.4 million, respectively (see Note 27). As at December 31, 2015 and 2014, the balance of the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱104.8 million and ₱47.1 million, respectively (see Note 20).

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the financial 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 ₱153.3 million and ₱208.0 million as at December 31, 2015 and 2014, respectively (see Note 36).

As at December 31, 2015 and 2014, the Group has temporary difference amounting to ₱655.2 million and ₱236.8 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 36).

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 38).

Estimating Fair Value of Identifiable Net Assets of an Acquiree in a Business Combination
In accounting for business combinations, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and other factors (see Note 32).

4. Cash and Cash Equivalents

	2015	2014
Cash on hand and with banks	**₱1,535,372**	₱1,224,818
Cash under managed funds	**199,300**	4,394
Short-term cash investments	**5,338,499**	12,332,591
	₱7,073,171	₱13,561,803

Cash with banks and those under managed funds 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 financial reporting period.

The Group has United States dollar (US$) denominated cash and cash equivalents amounting to US$87.1 million, equivalent to ₱4,100.6 million, and US$150.4 million, equivalent to ₱6,726.4 million, as at December 31, 2015 and 2014, respectively (see Note 37).

Interest income earned from cash and cash equivalents amounted to ₱109.1 million, ₱140.8 million and ₱142.2 million in 2015, 2014 and 2013, respectively (see Note 29).

Short-term cash investment amounting to nil and ₱200.0 million as at December 31, 2015 and 2014, respectively, has a 360-day term, thus, is classified under "Prepayments and other current assets" (see Note 8).

Cash with banks amounting to nil and ₱45.1 million as at December 31, 2015 and 2014, 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 14).

5. **Trade and Other Receivables**

	2015	2014
Trade (see Note 34a)	**₱575,485**	₱879,976
Loan and notes receivable (see Notes 34f, 39a and 39q)	**157,896**	276,342
Advances to officers and employees	**68,404**	48,704
Receivable from CBNC (see Note 34a)	**48,173**	39,362
Interest receivable	**40,448**	24,723
Advances to Ludgoron Mining Corporation (Ludgoron; see Note 39e)	**23,394**	–
Amounts owed by related parties (see Note 34)	**15,964**	4,493
Others	**51,898**	122,268
	981,662	1,395,868
Less allowance for impairment losses	**19,511**	37,833
	₱962,151	₱1,358,035

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.

Loan and notes receivable represent the current portion of the loan executed by CMC and East Coast Mineral Resources Co., Inc. (East Coast) in 2015, which will be settled based on the agreed repayment terms; and the loans issued by the Parent Company to EPI in 2014, which are collectible one year after drawdown and/or recoverable upon exercise of conversion right.

Advances to officers and employees are noninterest-bearing and are generally subject to liquidation or collectible through salary deduction.

Interest receivable is derived from short-term cash investments and cash held in escrow placed in various local banks, which are collectible upon maturity, from AFS debt securities and long-term negotiable instrument which are collectible monthly, quarterly or semi-annually, and from loans issued to East Coast which is collectible based on the agreed repayment terms.

Advances to Ludgoron represent advances to claim owner which are collectible upon approval of Mines and Geosciences Bureau (MGB) of the transfer of the operating agreement to Kafugan Mining Incorporated (KMI).

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$8.1 million, equivalent to ₱381.0 million, and US$17.3 million, equivalent to ₱775.3 million, as at December 31, 2015 and 2014, respectively (see Note 37).

Movements of allowance for impairment losses as at December 31, 2015 and 2014 are as follows:

2015	**Trade**	**Others**	**Total**
Balances at January 1	**₱25,059**	**₱12,774**	**₱37,833**
Acquisition of subsidiaries (see Note 32)	**11,935**	**123**	**12,058**
Write-off	**(20,647)**	**(10,709)**	**(31,356)**
Foreign exchange adjustments	**976**	**–**	**976**
Balances at December 31	**₱17,323**	**₱2,188**	**₱19,511**

2014	Trade	Others	Total
Balances at January 1	₱26,150	₱12,793	₱38,943
Write-off	(1,226)	–	(1,226)
Reversal (see Note 31)	–	(19)	(19)
Foreign exchange adjustments	135	–	135
Balances at December 31	₱25,059	₱12,774	₱37,833

6. **Inventories**

	2015	2014
Beneficiated nickel ore and limestone ore - at cost	**₱2,329,234**	₱2,087,087
Beneficiated nickel ore - at NRV	**329,076**	268,994
Materials and supplies:		
At NRV	**262,091**	306,075
At cost	**130,942**	60,406
Current portion of long-term stockpile inventory (see Note 12)	**159,926**	140,619
	₱3,211,269	₱2,863,181

Movements of allowance for inventory losses as at December 31, 2015 and 2014 are as follows:

2015	**Beneficiated nickel ore**	**Materials and supplies**	**Total**
Balances at January 1	**₱107,658**	**₱45,997**	**₱153,655**
Provision	**–**	**–**	**–**
Reversals (see Note 31)	**(13,239)**	**(35,961)**	**(49,200)**
Balances at December 31	**₱94,419**	**₱10,036**	**₱104,455**

2014	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱333,653	₱40,603	₱374,256
Provisions (see Note 31)	–	5,394	5,394
Reversals (see Note 31)	(225,995)	–	(225,995)
Balances at December 31	₱107,658	₱45,997	₱153,655

As at December 31, 2015 and 2014, the cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱423.5 million and ₱376.7 million, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱272.1 million and ₱352.1 million, respectively.

Costs of inventories charged as expense amounted to ₱6,440.1 million, ₱5,803.9 million and ₱4,849.5 million in 2015, 2014 and 2013, respectively (see Notes 22, 23, 24 and 26).

7. AFS Financial Assets

	2015	2014
Quoted instruments:		
Debt securities	**₱4,377,774**	₱2,006,838
Equity securities	**1,250,444**	603,475
Unquoted equity securities	**202,819**	194,116
	5,831,037	2,804,429
Less noncurrent portion	**817,118**	522,797
	₱5,013,919	₱2,281,632

Quoted instruments are carried at fair market value as at the end of the financial reporting period. Unquoted equity instruments are carried at cost as at the end of the financial reporting period, since the fair values of these investments cannot be reliably measured.

The movements in AFS financial assets as at December 31, 2015 and 2014 are as follows:

	2015	2014
Balances at January 1	**₱2,804,429**	₱2,438,938
Additions	**13,393,767**	1,397,019
Disposals	**(10,086,770)**	(407,234)
Reclassification (see Note 11)	**–**	(724,410)
Effect of changes in foreign exchange rate (see Note 31)	**89,372**	3,310
Valuation gains (losses) on AFS financial assets	**(369,761)**	96,806
Balances at December 31	**₱5,831,037**	₱2,804,429

The movements in "Net valuation gains (losses) on AFS financial assets" presented as a separate component of equity follows:

	2015	2014
Balances at January 1	**₱171,322**	₱99,506
Movements recognized in equity:		
Gains (losses) recognized in equity	**(283,511)**	105,285
Reclassification adjustments for income included in the consolidated statements of income (see Notes 29 and 30)	**(86,250)**	(8,479)
Income tax effect	**65,435**	(22,649)
Valuation gains (losses) taken into the consolidated statements of comprehensive income	**(304,326)**	74,157
NCI in gains recognized in equity	**1,463**	2,341
Balances at December 31	**(₱134,467)**	₱171,322

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, golf club shares and debt securities which are either unquoted or with quoted market prices. As at December 31, 2015 and 2014, quoted and unquoted debt and equity securities amounting to ₱5,013.9 million and ₱2,281.6 million, respectively, were classified as current based on management's intention to dispose the instruments within one (1) year from the end of the financial reporting period.

The noncurrent portion of AFS financial assets amounted to ₱817.1 million and ₱522.8 million as at December 31, 2015 and 2014, respectively. As at December 31, 2015 and 2014, the Group has no intention to dispose its unquoted equity shares within the next year.

Dividend income from AFS equity securities amounted to ₱25.8 million, ₱6.5 million and ₱62.7 million in 2015, 2014 and 2013, respectively, of which ₱7.6 million, nil and ₱60.5 million relates to dividends coming from investments in unquoted equity securities (see Note 31), while interest income from AFS debt securities amounted to ₱99.3 million, ₱16.6 million and ₱12.0 million in 2015, 2014 and 2013, respectively (see Note 29).

The valuation losses of ₱304.3 million and valuation gains of ₱74.2 million taken into the consolidated statements of comprehensive income is inclusive of share of NCI amounting to a valuation gains of ₱1.5 million and ₱2.3 million as at December 31, 2015 and 2014, respectively.

In 2015, 2014 and 2013, the Group sold some of its AFS financial assets at a gain of ₱86.3 million, ₱8.5 million and ₱7.3 million, respectively (see Notes 29 and 30).

The Group has US$ denominated AFS financial assets amounting to US$50.4 million, equivalent to ₱2,373.9 million, and US$18.6 million, equivalent to ₱831.4 million, as at December 31, 2015 and 2014, respectively (see Note 37).

No impairment loss was recognized on the Group's AFS equity securities in 2015 and 2014.

8. Prepayments and Other Current Assets

	2015	2014
Prepaid taxes	**₱141,034**	₱92,826
Input tax (net of allowance for impairment losses of ₱70.8 million and nil as at December 31, 2015 and 2014, respectively)	**112,239**	103,065
Advances and deposits to suppliers and contractors (see Note 39p)	**94,618**	83,914
Prepaid rent and others	**37,500**	27,800
Prepaid insurance	**26,855**	20,182
Tax credit certificates (net of allowance for impairment losses of ₱0.5 million as at December 31, 2015 and 2014)	**5,186**	13,524
Short-term cash investment (see Note 4)	**–**	200,000
Derivative asset (see Note 34f)	**–**	5,508
	₱417,432	₱546,819

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.

Input tax represents the 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).

Advances and deposits 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.

Prepayments are amortized within three (3) to twelve (12) months at the end of the financial reporting period.

Tax credit certificates are tax refunds received by the Group.

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 short-term cash investment amounted to ₱1.2 million, ₱1.6 million and nil in 2015, 2014 and 2013, respectively (see Note 29).

Derivative asset pertains to the convertible loan feature of the loan granted to EPI. The amount of the derivative asset recognized in 2015 and 2014 amounted to ₱8.3 million and ₱5.5 million, respectively (see Note 34f).

9. Property and Equipment

	2015					
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost:						
Balances at January 1	₱277,570	₱469,179	₱8,630,490	₱2,900,979	₱533,217	₱12,811,435
Acquisition of subsidiaries (see Note 32)	–	–	6,583	3,875	455	10,913
Additions	552	14,006	1,126,928	82,070	2,685,096	3,908,652
Transfers/reclassification	–	–	53,111	194,873	(249,355)	(1,371)
Disposals	–	–	(185,938)	(8,040)	–	(193,978)
Balances at December 31	278,122	483,185	9,631,174	3,173,757	2,969,413	16,535,651
Accumulated depreciation, amortization and depletion:						
Balances at January 1	582	217,302	4,950,277	945,794	–	6,113,955
Depreciation, amortization and depletion (see Note 28)	2,342	17,186	1,195,524	224,935	–	1,439,987
Transfers/reclassification	–	–	(1,666)	–	–	(1,666)
Disposals	–	–	(90,267)	(447)	–	(90,714)
Balances at December 31	2,924	234,488	6,053,868	1,170,282	–	7,461,562
Allowance for impairment losses						
Balances at January 1	–	–	90,893	7,594	–	98,487
Reversal of allowance for impairment losses	–	–	(90,893)	(7,594)	–	(98,487)
Balances at December 31	–	–	–	–	–	–
Net book values	₱275,198	₱248,697	₱3,577,306	₱2,003,475	₱2,969,413	₱9,074,089

	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 28)	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 31)	–	–	90,893	7,594	–	98,487
Net book values	₱276,988	₱251,877	₱3,589,320	₱1,947,591	₱533,217	₱6,598,993

Pier facilities (included under “Buildings and improvements”) with a carrying value of ₱75.1 million and ₱112.7 million as at December 31, 2015 and 2014, respectively, were mortgaged as collateral for the long-term debt of RTN (see Note 16).

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 2015, 2014 and 2013.

In 2014, TMC recognized provision for impairment losses on its machinery and equipment and buildings and improvements amounting to ₱98.5 million. The impairment is related to the head end of the conveyor which has become inoperational last September 1, 2014.

Construction in-progress in 2015 includes costs related to the development activities of the solar project of Jobin (see Note 39h) and costs related to the Sub-transmission Service Agreement with Palawan Electric Cooperative (PALECO; see Note 39i).

10. Investment Properties

Investment properties consist of parcels of land located in Surigao City which is intended for leasing to THNC in the future. In 2015 and 2014, there are no income earned and direct operating expenses incurred related to the investment properties. In 2013, rental income, which is included under “Services and others”, amounted to ₱6.0 million; and direct operating expenses, which is included under “General and administrative expenses”, amounted to ₱0.8 million (see Note 26).

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 31).

As at December 31, 2015 and 2014, the carrying values of the Group’s investment properties amounted to ₱29.0 million and the fair value of the land approximates its carrying value.

11. **Investments in Associates**

	2015	2014
THNC	**₱4,042,891**	₱4,468,336
CBNC	**721,196**	835,704
	₱4,764,087	₱5,304,040

Movements in the investments in associates as at December 31, 2015 and 2014 are as follows:

	2015			2014		
	THNC	**CBNC**	**Total**	THNC	CBNC	Total
Acquisition cost	**₱4,443,075**	**₱724,410**	**₱5,167,485**	₱4,443,075	₱724,410	₱5,167,485
Accumulated equity in net earnings (losses):						
Balances at January 1	**(177,440)**	**197,880**	**20,440**	(501,940)	–	(501,940)
Equity in net income (losses)	**(650,171)**	**(161,198)**	**(811,369)**	324,500	197,880	522,380
Dividends declared	**–**	**(89,090)**	**(89,090)**	–	–	–
	(827,611)	**(52,408)**	**(880,019)**	(177,440)	197,880	20,440
Share in cumulative translation adjustment:						
Balances at January 1	**202,701**	**(86,586)**	**116,115**	170,991	–	170,991
Movements	**224,726**	**135,780**	**360,506**	31,710	(86,586)	(54,876)
	427,427	**49,194**	**476,621**	202,701	(86,586)	116,115
Balances at December 31	**₱4,042,891**	**₱721,196**	**₱4,764,087**	₱4,468,336	₱835,704	₱5,304,040

The share in cumulative translation adjustment of associates are gross of deferred income tax liability of ₱70.0 million and ₱34.0 million, respectively (see Note 36).

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 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, nickel hydroxide and any and all ingredient and products and by products. THNC started commercial operations in October 2013.

The following are the summarized financial information of THNC as at December 31, 2015 and 2014. THNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱47.06 and US$1 = ₱44.72 as at December 31, 2015 and 2014, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱46.80 and US$1 = ₱44.39, respectively, for the statement of income accounts for the years then ended.

	2015	2014
Current assets	**₱6,443,446**	₱6,870,896
Noncurrent assets	**72,637,740**	69,661,595
Current liabilities	**(19,999,727)**	(12,522,959)
Noncurrent liabilities	**(41,581,400)**	(44,618,607)
Net assets	**₱17,500,059**	₱19,390,925
Income	**₱12,858,150**	₱15,821,955
Expenses	**(15,747,797)**	(14,379,732)
Net income (loss)	**(₱2,889,647)**	₱1,442,223

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%) equity interest in CBNC by way of property dividend distributed by RTN in March 2014. In accordance with the provisions of PAS 28 (2011), *Investment in Associates and Joint Ventures*, and due to the change in the nature of the Parent Company's involvement in CBNC, the Parent Company 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 (see Note 7).

The following are the summarized financial information of CBNC as at December 31, 2015 and 2014. CBNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱47.06 and US$1 = ₱44.72 as at December 31, 2015 and 2014, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱46.80 and US$1 = ₱44.39, respectively, for the statement of income accounts for the years then ended.

	2015	2014
Current assets	**₱3,566,056**	₱4,928,354
Noncurrent assets	**23,340,317**	23,490,170
Current liabilities	**(1,299,280)**	(1,617,002)
Noncurrent liabilities	**(128,096)**	(154,800)
Net assets	**₱25,478,997**	₱26,646,722
Income	**₱9,717,727**	₱14,702,120
Expenses	**(11,329,710)**	(12,063,714)
Net income (loss)	**(₱1,611,983)**	₱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 34a). 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 ₱208.7 million, ₱216.5 million and ₱235.2 million were charged to "Cost of sales" in 2015, 2014 and 2013, respectively (see Note 22).

A portion amounting to ₱159.9 million and ₱140.6 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next financial reporting period, were shown as part of "Inventories" as at December 31, 2015 and 2014, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱584.7 million and ₱812.8 million as at December 31, 2015 and 2014, respectively.

13. **Geothermal Exploration and Evaluation Assets**

	2015	2014
Balance at acquisition date (see Note 32)	**₱5,613,979**	₱–
Additions	**500,935**	–
Balance at December 31	**₱6,114,914**	₱–

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

As at December 31, 2015, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

14. Other Noncurrent Assets

	2015	2014
Deferred mine exploration costs (see Note 32)	**₱1,160,094**	₱209,227
Input tax - net of current portion	**850,081**	442,785
Loan receivable - net of current portion (see Note 39q)	**842,104**	–
Advances to claimowners (see Note 39e)	**220,324**	103,588
MRF	**214,932**	178,513
Project development costs (see Note 39h)	**107,296**	–
Deposit for aircraft acquisition	**98,754**	98,754
Advance royalties	**66,104**	89,497
SDMP funds	**59,264**	23,865
Long-term negotiable instrument	**30,000**	30,000
Cash held in escrow (see Note 4)	**–**	45,112
Pension asset (see Note 35)	**–**	6,090
Others	**18,516**	15,125
	3,667,469	1,242,556
Less allowance for impairment losses	**236,411**	145,675
	₱3,431,058	₱1,096,881

Movements of allowance for impairment losses in 2015 and 2014 follows:

2015	**Advances to claimowners**	**Deferred mine exploration costs**	**Input tax**	**Total**
Balances at January 1	**₱–**	**₱145,675**	**₱–**	**₱145,675**
Acquisition of subsidiaries (see Note 32)	–	–	**89,503**	**89,503**
Provisions (see Note 31)	–	**1,233**	–	**1,233**
Write-off	–	–	–	–
Balances at December 31	**₱–**	**₱146,908**	**₱89,503**	**₱236,411**

2014	Advances to claimowners	Deferred mine exploration costs	Input tax	Total
Balances at January 1	₱16,490	₱144,155	₱–	₱160,645
Provisions (see Note 31)	–	1,520	–	1,520
Write-off	(16,490)	–	–	(16,490)
Balances at December 31	₱–	₱145,675	₱–	₱145,675

Deferred mine exploration costs include mining rights of ₱973.5 million and ₱32.3 million as at December 31, 2015 and 2014, respectively.

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.

Advances to claimowners represent advance royalty payments to East Coast, La Salle Mining Exploration Company (La Salle), Kepha Mining Exploration Company (Kepha) and Ludgoron (see Note 39e).

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.

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 which is exercisable within twelve (12) years.

Advance royalties pertain to royalty payments to Government.

The SDMP fund shall be used for the sustainable development of the host and neighboring communities of the mine site. 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 MGB.

The long-term negotiable instrument earns interest at 5.25% p.a. and will mature in October 2019. Interest income from long-term negotiable instrument amounted to ₱1.3 million in 2015, 2014, and 2013 (see Note 29).

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 2015, 2014 and 2013 amounted to ₱0.2 million, ₱0.5 million and ₱0.8 million, respectively (see Note 29).

Others include various security deposits, deposit to suppliers and restricted cash.

15. Trade and Other Payables

	2015	2014
Trade (see Note 34)	**₱692,257**	₱715,012
Amounts owed to related parties (see Note 34)	**5,142,066**	–
Dividends payable	**493,250**	2,520
Accrued expenses:		
Third parties	**394,343**	269,321
Related party (see Note 34)	**43,731**	43,639
Government payables:		
Withholding taxes payable	**144,178**	302,765
Excise taxes and royalties payable	**60,760**	62,448
Documentary stamp taxes (DST) payable	**6,750**	3,168
Output VAT	**3,976**	3,814
Fringe benefit taxes (FBT) payable	**230**	49,655
Retention payable	**23,043**	564
Interest payable (see Note 34)	**17,778**	6,309
Others	**103,351**	23,425
	₱7,125,713	₱1,482,640

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled within one year. 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.

Amounts owed to related parties pertain to advances received from Orka Geothermal Investments Pte. Ltd (OGI) and Biliran Geothermal Holdings Incorporated (BGHI) and the dividends declared by the Parent Company to Nickel Asia Holdings Inc. (NAHI). Advances from OGI pertain to transfer of funds that were used in the drilling operations of BGI and purchases paid by OGI in behalf of BGI. Advances from BGHI pertain mainly to the amount originally payable to OGI but were sold by the latter to the former in 2014. Part of this amount pertains also to miscellaneous expenses paid by BGHI in behalf of BGI.

Dividends payable refers to the cash dividends declared by TMC and RTN to Pacific Metals Co., Ltd. (PAMCO) which is payable on January 29, 2016. The amount is net of final withholding tax.

Government payables include withholding taxes which are normally settled within ten (10) days after the end of each financial 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.

Retention payable pertains mainly to the ten percent (10%) of the gross payable amount retained by TMC from its suppliers and will be paid after the completion of the construction of the conveyor system.

Interest payable on loans is settled based on the agreed repayment terms.

The Group has US$ denominated trade and other payables amounting to US$111.0 million, equivalent to ₱5,221.5 million, and US$1.5 million, equivalent to ₱67.9 million as at December 31, 2015 and 2014, respectively (see Note 37).

16. Short-term and Long-term Debts

Short-term debt with Manta Equities Inc. (Manta)

On June 8, 2015, EPI entered into a one year loan agreement with Manta amounting to ₱180.0 million to finance the development expenses of EPI's geothermal power project (see Note 34). The loan bears an annual interest of five percent (5%). The principal and interest is payable at the end of the loan agreement. Related interest payable and interest expense as at and for the period ended December 31, 2015 amounted to ₱5.1 million (see Notes 30 and 34).

Long-term debt consists of:

	2015	2014
EPI	**₱2,100,336**	₱–
TMC	**1,276,503**	1,291,290
RTN	**105,415**	140,242
	3,482,254	1,431,532
Less noncurrent portion:		
EPI	**2,100,336**	–
TMC	**1,194,148**	1,213,030
RTN	**63,249**	100,173
	3,357,733	1,313,203
Current portion	**₱124,521**	₱118,329

EPI Loan
On July 15, 2015, Security Bank Corporation (SBC) approved the loan facility of EPI amounting to ₱3,000.0 million to be used in funding its investments and working capital requirements. Staggered releases of loans are allowed up to August 31, 2016 with terms of up to three (3) years from date of every drawdown and payable upon maturity.

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

Details of the drawdowns received from the ₱3,000.0 million loan facility as at December 31, 2015 are as follows:

Drawdowns	Date	Amount	Debt Issue Costs	Stated Rate	Effective Rate	Term
First	August 5, 2015	₱510,000	₱2,551	4.6%	4.8%	3 years
Second	September 21, 2015	1,200,000	6,000	4.6%	4.8%	3 years
Third	December 2, 2015	400,000	2,000	4.9%	5.8%	3 years
		₱2,110,000	₱10,551			

Debt-issue costs pertain to DST and other transaction costs incurred in connection with the availment of the loans. These are deducted from the amount of loans payable and are amortized using the effective interest method. Movements of the unamortized debt issue costs in 2015 are as follows:

Debt issue costs	₱10,551
Amortization	(887)
Balance at December 31	₱9,664

Related interest expense and interest payable as at and for the period ended December 31, 2015 are summarized below:

	Interest Expense (see Note 30)	Interest Payable
Loans payable	₱24,876	₱6,171
Amortization of debt issue costs	887	–
Balances at December 31	₱25,763	₱6,171

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at December 31, 2015, EPI is in compliance with the restrictions.

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to US$35.0 million at a prevailing one hundred eighty (180)-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 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, 2015 and 2014, the total loan drawn 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, 2015 and 2014, TMC is in compliance with the restrictions.

Interest expense in 2015, 2014 and 2013 amounting to ₱31.1 million, ₱31.3 million and ₱33.5 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 23).

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 one hundred eighty (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 twenty (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 39b). 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, 2015 and 2014, RTN is in compliance with the restrictions.

Interest expense amounted to ₱2.9 million, ₱3.7 million and ₱4.8 million in 2015, 2014 and 2013, respectively (see Note 30).

17. Provision for Mine Rehabilitation and Decommissioning

	2015	2014
Balances at January 1	**₱130,175**	₱130,927
Acquisition of a subsidiary (see Note 32)	**31,989**	–
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 30)	**8,520**	8,893
Payments of rehabilitation cost	**(670)**	(10,401)
Effect of change in estimate	**(88)**	756
Balances at December 31	**₱169,926**	₱130,175

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.

18. Long-term Payable

On December 14, 2015, CExCI and the stockholders of Newminco entered into a Share Purchase Agreement (SPA) wherein CExCI agreed to acquire 100% equity interest of Newminco, on a deferred payment basis, for a total consideration of ₱64.8 million.

Upon execution of the SPA, a downpayment of ₱30.8 million was paid and the remaining balance of ₱34.0 million, which is non-interest bearing, is payable over a seven (7) year period. The total principal is payable in annual installment of ₱5.0 million starting in 2017 up to 2020 and annual installment of ₱7.0 million for the remaining term of the SPA. The discount on deferred payment, at 4.58% risk free rate, amounted to ₱6.4 million.

The carrying amount of long-term payable, net of unamortized discount amounted to ₱27.6 million as at December 31, 2015.

	Principal	Accretion Interest (see Note 30)
Long-term payable	₱34,000	₱–
Less unamortized discount	6,359	59
Balances at December 31	₱27,641	₱59

19. **Equity**

Capital Stock
The capital structure of the Parent Company as at December 31, 2015 and 2014 is as follows:

	2015	2014
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares in 2015 and 4,265,000,000 shares in 2014		
Issued - 7,596,939,456 shares in 2015 and 2,530,590,350 in 2014	**₱3,798,470**	₱1,265,295
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
	₱3,805,670	₱1,272,495

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

Increase in Authorized Capital Stock
On March 27, 2015 and June 5, 2015, the Parent Company's BOD and stockholders, respectively, resolved to increase the authorized capital stock from 4,265,000,000 to 19,265,000,000 common stock with par value of ₱0.50 per share. On June 24, 2015, the SEC approved the increase in authorized capital stock.

Issued Capital Stock
Beginning November 22, 2010, the common stock of the Parent Company were listed and traded on the PSE at an offer price of ₱15.00 per share, which is equivalent to ₱2.67 per share after the stock dividends.

As at December 31, 2015 and 2014, the Parent Company has sixty-six (66) and fifty-four (54) stockholders, respectively.

As at December 31, 2015 and 2014, a total of 2,258,870,964 or 30% and 495,443,935 or 20%, respectively, of the outstanding common shares of the Parent Company are registered in the name of sixty-four (64) and fifty-two (52) shareholders, respectively, while the balance of 5,338,068,492 common shares or 70% and 2,035,146,415 common shares or 80%, respectively, are lodged with the Philippine Depository, Inc. (now known as Philippine Depository and Trust Corporation).

Movements in common stock follows:

	2015	
	Number of Shares	**Amount**
Balances at January 1	**2,530,590,350**	**₱1,265,295**
Issuance of stock dividends		
50%	**1,265,295,165**	**632,648**
100%	**3,798,469,728**	**1,899,235**
Exercise of stock options (see Note 20)	**2,584,213**	**1,292**
Balances at December 31	**7,596,939,456**	**₱3,798,470**

	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 20)	11,431,005	5,715
Balances at December 31	2,530,590,350	₱1,265,295

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 24, 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.

The basic terms and conditions of the stock option plans are disclosed in Note 20.

Additional Paid-In Capital

Movements in additional paid-in capital follows:

	2015	2014
Balances at January 1	**₱8,273,655**	₱8,151,603
Exercise of stock options	**11,112**	76,588
Reclassification adjustment from cost of share-based payment plan upon exercise of stock options	**–**	45,464
Balances at December 31	**₱8,284,767**	₱8,273,655

Dividends

Dividends declared and paid by the Parent Company follows:

2015					
Type of Dividend	**Date of declaration**	**Date of record**	**Amount declared**	**Dividend per share**	**Date of payment/issuance**
Cash Dividends					
Regular	**March 27, 2015**	**April 15, 2015**	**₱2,657,120**	**₱0.70**	**April 27, 2015**
Special	**March 27, 2015**	**April 15, 2015**	**1,138,766**	**0.30**	**April 27, 2015**
Stock Dividends	**June 5, 2015**	**July 16, 2015**	**1,899,235**	**100%**	**August 11, 2015**

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

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 39g). The project is expected to be completed in 2016.

20. **Executive Stock Option Plan**

2014 ESOP
On March 24, 2014, the New Plan was approved by the Parent Company's BOD and was ratified by the stockholders on June 6, 2014. 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 ₱8.51 after the effect of stock dividends.
4. The New Plan was partially granted on June 6, 2014 and January 13, 2015.
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%) per year after the first year of the New Plan or July 18, 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 values of the stock option are ₱7.53 and ₱8.42, which was estimated as at grant date, June 6, 2014 and January 13, 2015, respectively, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

2010 ESOP
On June 16, 2010, the Parent Company's BOD and stockholders 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 positions 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 ₱2.40 after the effect of 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	January 13, 2015	June 6, 2014	January 3, 2011
Spot price per share	₱15.63	₱28.55	₱15.00
Exercise price	₱8.51	₱25.52	₱13.50
Expected volatility	33.52%	33.28%	53.42%
Option life	4.40 years	5.00 years	3.97 years
Dividend yield	0.58%	3.88%	2.06%
Risk-free rate	3.23%	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 2015 and 2014.

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

	Number of Options		Weighted Average Exercise Price	
	2015	2014	**2015**	2014
2014 ESOP				
Balances at January 1	**17,764,849**	–	**₱25.52**	₱–
Granted	**2,100,595**	17,764,849	**25.52**	25.52
Forfeited	**(718,012)**	–	**–**	–
Stock dividends	**38,294,846**	–	**8.51**	–
Balances at December 31	**57,442,278**	17,764,849	**₱8.51**	₱25.52
2010 ESOP				
Balances at January 1	**3,719,308**	15,150,313	**₱7.20**	₱7.20
Exercised (see Note 19)	**(2,584,213)**	(11,431,005)	**4.80**	7.20
Stock dividends	**4,854,403**	–	**2.40**	–
Balances at December 31	**5,989,498**	3,719,308	**₱2.40**	₱7.20

In 2015, the number of shares and exercise price were adjusted for the effect of fifty percent (50%) and one hundred percent (100%) stock dividends (see Note 19).

On June 2, 2015, the SEC approved the exemption from registration of 11,625,987 common shares which shall form part of the ESOP. As at December 31, 2015, the Parent Company is in the process of securing the approval of the SEC of the exemption from registration of 31,523,262 common shares which shall also form part of the ESOP.

The number of exercisable vested stock options as at December 31, 2015 and 2014 are 12,759,272 and 3,719,308, respectively.

In 2015 and 2014, the weighted average stock prices at exercise dates were ₱20.40 and ₱28.84, respectively, which is equivalent to ₱10.20 and ₱9.61 per share, respectively, after the effect of stock dividends.

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

	2015	2014
Balances at January 1	**₱47,060**	₱49,524
Cost of share-based payment recognized as capital upon exercise	–	(45,464)
Stock option expense (see Note 27)	**57,764**	43,000
Movements during the year	**57,764**	(2,464)
Balances at December 31	**₱104,824**	₱47,060

The weighted average remaining contractual life of options outstanding under the New Plan is approximately three and a half (3.5) years and four and a half (4.5) years as at December 31, 2015 and 2014, respectively.

The weighted average remaining contractual life of options outstanding under the Plan is half (0.5) year and one and a half (1.5) years as at December 31, 2015 and 2014, respectively.

In 2015, 2014 and 2013, the cost of share-based payment plan amounted to ₱57.8 million, ₱43.0 million and ₱10.4 million, respectively (see Note 27).

21. Earnings Per Share

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

	2015	2014	2013
Net income attributable to equity holders of the parent	**₱2,035,143**	₱8,551,627	₱2,053,674
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**2,034,639**	8,551,123	2,053,170
Dividends on dilutive potential ordinary shares	**–**	–	–
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱2,034,639**	₱8,551,123	₱2,053,170
Weighted average number of common shares for basic EPS	**7,594,355,243**	7,578,989,913	7,555,642,216
Effect of dilution from stock options	**14,097,601**	14,365,378	30,084,367
Weighted average number of common shares adjusted for the effect of dilution	**7,608,452,844**	7,593,355,291	7,585,726,583
Basic EPS	**₱0.27**	₱1.13	₱0.27
Diluted EPS	**₱0.27**	₱1.13	₱0.27

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the financial reporting period and the date of authorization of the consolidated financial statements.

22. Cost of Sales

	2015	2014	2013
Production overhead	**₱2,675,180**	₱2,613,048	₱1,938,349
Outside services	**1,753,513**	1,246,424	869,379
Depreciation and depletion (see Note 28)	**1,060,175**	984,366	830,512
Personnel costs (see Note 27)	**870,657**	894,205	669,699
Long-term stockpile inventory (see Note 12)	**208,714**	216,539	235,169
	6,568,239	5,954,582	4,543,108
Net changes in beneficiated nickel ore and limestone ore	**(288,991)**	(598,171)	(53,814)
	₱6,279,248	₱5,356,411	₱4,489,294

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

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

23. Cost of Services

	2015	2014	2013
Depreciation and depletion (see Note 28)	**₱127,814**	₱129,502	₱133,040
Overhead	**82,539**	78,384	49,962
Personnel costs (see Note 27)	**82,354**	84,316	63,836
Equipment operating cost (see Note 16)	**52,083**	62,202	76,058
Outside services	**13,127**	16,746	12,396
	₱357,917	₱371,150	₱335,292

Equipment operating cost includes interest expense amounting to ₱31.1 million, ₱31.3 million and ₱33.5 million in 2015, 2014 and 2013, respectively (see Note 16).

24. Shipping and Loading Costs

	2015	2014	2013
Contract fees	**₱1,194,955**	₱1,136,292	₱801,402
Supplies and fuel, oil and lubricants	**284,023**	368,735	294,771
Depreciation and depletion (see Note 28)	**127,280**	123,795	155,810
Personnel costs (see Note 27)	**61,588**	65,187	72,219
Other services and fees	**90,097**	143,559	74,569
	₱1,757,943	₱1,837,568	₱1,398,771

25. Excise Taxes and Royalties

	2015	2014	2013
Royalties (see Notes 39e and 39r)	**₱793,690**	₱1,273,780	₱439,098
Excise taxes (see Note 39e)	**295,913**	481,054	209,510
	₱1,089,603	₱1,754,834	₱648,608

26. General and Administrative

	2015	2014	2013
Personnel costs (see Note 27)	**₱295,670**	₱290,964	₱230,199
Taxes and licenses	**158,376**	230,174	80,474
Outside services	**93,496**	102,934	67,408
Depreciation (see Note 28)	**78,820**	87,846	84,705
Donations	**36,670**	49,043	12,022
Transportation and travel	**33,421**	26,409	20,246
Rentals	**28,513**	23,693	13,569
Repairs and maintenance	**27,850**	22,941	9,528
Entertainment, amusement and recreation	**16,527**	16,161	13,720
Communications, light and water	**9,637**	8,634	11,882
Others	**133,874**	97,663	80,724
	₱912,854	₱956,462	₱624,477

Other general and administrative expense is composed of dues and subscription, rentals, other service fees and other numerous transactions with minimal amounts.

27. Personnel Costs

	2015	2014	2013
Salaries, wages and employee benefits	**₱1,192,279**	₱1,220,569	₱970,411
Pension cost (see Note 35)	**60,226**	71,103	55,173
Cost of share-based payment plan (see Note 20)	**57,764**	43,000	10,369
	₱1,310,269	₱1,334,672	₱1,035,953

The amounts of personnel costs are distributed as follows:

	2015	2014	2013
Cost of sales (see Note 22)	**₱870,657**	₱894,205	₱669,699
General and administrative (see Note 26)	**295,670**	290,964	230,199
Cost of services (see Note 23)	**82,354**	84,316	63,836
Shipping and loading costs (see Note 24)	**61,588**	65,187	72,219
	₱1,310,269	₱1,334,672	₱1,035,953

28. **Depreciation and Depletion**

	2015	2014	2013
Property and equipment (see Note 9)	**₱1,439,987**	₱1,373,334	₱1,260,601
Investment properties (see Note 10)	**–**	–	2,050
	₱1,439,987	₱1,373,334	₱1,262,651

The amounts of depreciation and depletion expense are distributed as follows:

	2015	2014	2013
Cost of sales (see Note 22)	**₱1,060,175**	₱984,366	₱830,512
Cost of services (see Note 23)	**127,814**	129,502	133,040
Shipping and loading costs (see Note 24)	**127,280**	123,795	155,810
General and administrative (see Note 26)	**78,820**	87,846	84,705
Others	**45,898**	47,825	58,584
	₱1,439,987	₱1,373,334	₱1,262,651

29. **Finance Income**

	2015	2014	2013
Interest income from:			
Cash and cash equivalents (see Note 4)	**₱109,075**	₱140,779	₱142,153
AFS financial assets (see Note 7)	**99,320**	16,631	12,049
Loan receivable (see Note 39q)	**1,757**	–	–
Long-term negotiable instrument (see Note 14)	**1,260**	1,260	1,260
Short-term cash investment (see Note 8)	**1,159**	1,641	–
Cash held in escrow (see Note 14)	**235**	536	825
Pension (see Note 35)	**–**	–	3,158
Gain on sale of AFS financial assets (see Note 7)	**86,250**	10,684	7,308
Accretion income (see Note 34f)	**3,933**	573	–
Day 1 gain (see Note 34f)	**2,123**	–	–
	₱305,112	₱172,104	₱166,753

30. **Finance Expenses**

	2015	2014	2013
Guarantee service fee (see Note 39f)	**₱124,194**	₱134,766	₱104,235
Interest expense on:			
Long-term debts (see Note 16)	**28,623**	3,650	4,766
Pension (see Note 35)	**12,663**	12,732	8,476
Short-term debt (see Note 16)	**5,066**	–	–
Long-term payable (see Note 18)	**59**	–	–
Management fee	**13,622**	402	342
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 17)	**8,520**	8,893	8,554
Loss on sale of AFS financial assets (see Note 7)	**–**	2,205	–
Day 1 loss (see Note 34f)	**–**	2,123	–
Provision for impairment losses on trade and other receivables	**–**	–	2,267
	₱192,747	₱164,771	₱128,640

31. **Other Income** - net

	2015	2014	2013
Foreign exchange gains - net	**₱322,963**	₱182,510	₱53,293
Reversals of allowance (provisions) for impairment losses on:			
Input VAT (see Note 8)	**(54,484)**	–	(530)
Materials and supplies (see Note 6)	**35,961**	(5,394)	2,802
Beneficiated nickel ore inventory (see Note 6)	**13,239**	225,995	6,361
Deferred mine exploration costs (see Note 14)	**(1,233)**	(1,520)	(144,155)
Property and equipment (see Note 9)	**–**	(98,487)	–
Trade and other receivables (see Note 5)	**–**	19	4,769

(Forward)

	2015	2014	2013
Gain (loss) on:			
Bargain purchase (see Note 32)	**₱59,921**	₱–	₱–
Sale of property and equipment	**6,919**	9,693	82,005
Write-off of deferred mine exploration cost (see Note 39e)	**(5,461)**	(1,941)	–
Write-off of input VAT	**(8)**	(12,548)	(6,752)
Write-off of trade and other receivables	**–**	(3,108)	–
Sale of investment properties (see Note 10)	**–**	–	145,095
Special projects	**52,477**	84,773	28,375
Despatch	**38,995**	67,296	49,134
Dividend income (see Note 7)	**25,827**	6,473	62,654
Issuance of fuel, oil and lubricants	**20,491**	16,859	8,209
Rentals and accommodations	**11,275**	11,307	4,209
Other services	**2,864**	3,649	4,766
Casualty losses	**(2,516)**	–	(7,439)
Others - net	**(20,064)**	(14,679)	16,987
	₱507,166	₱470,897	₱309,783

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 follows:

	2015	2014	2013
Realized foreign exchange gains - net	**₱149,488**	₱93,894	₱90,798
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	**133,794**	96,095	77,129
AFS financial assets (see Note 7)	**89,372**	3,310	860
Long-term debt	**(65,212)**	(8,258)	(119,636)
Trade and other payables	**17,149**	(110)	(504)
Trade and other receivables	**(1,628)**	(2,421)	4,370
Others	**–**	–	276
	₱322,963	₱182,510	₱53,293

32. **Business Combination**

Loan Conversion and Additional Subscription to EPI
On April 15, 2015, the Parent Company expressed its intention to exercise its conversion right and to convert the entire second tranche loan of ₱446.0 million to 55% equity interest in EPI, which is equivalent to 312,888,889 common shares, subject to the SEC's approval of the increase in authorized capital stock of EPI.

On July 16, 2015, the Parent Company subscribed to an additional 11% equity interest in EPI, which is equivalent to 184,052,288 common shares, for a total consideration of ₱474.0 million, subject also to the approval of EPI's increase in authorized capital stock.

The increase in EPI's authorized capital stock was approved by the SEC on July 28, 2015 and the corresponding shares were subsequently issued to the Parent Company. The transaction was accounted for as an asset acquisition. At the time of acquisition, EPI has investments in the following subsidiaries.

	% of Ownership
MEI	100%
MGPC	100%
BHI	100%
MSI [a]	50%

(a) Indirect ownership through MEI

The Parent Company's cost of investment in EPI consists of:

Convertible loan including derivative asset	₱450,506
Additional capital infusion	474,000
	₱924,506

The consolidated amounts recognized as at July 28, 2015 for each major class of EPI and its subsidiaries' identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱653,836
Trade and other receivables	30,593
Prepayments and other current assets	54,697
Property and equipment	5,389
Geothermal exploration and evaluation assets	819,883
Other noncurrent assets	105,414
Total assets	1,669,812
Liabilities	
Trade and other payables	91,116
Short-term debts	285,000
Total liabilities	376,116
Net assets, including share of NCI	1,293,696
Share of NCI	369,190
Net assets acquired	₱924,506

The fair value of trade and other receivables approximates its carrying amount since these are short-term in nature. None of the trade and other receivables has been impaired and it is expected that the full contractual amounts can be collected/recovered.

NCI have been measured at its proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The excess of the Group's cost of investment in EPI over its proportionate share in the underlying net assets at the date of acquisition amounting to ₱207.8 million was allocated to the "Geothermal exploration and evaluation assets" account in the consolidated statements of financial position.

From acquisition date to December 31, 2015, the amounts of revenue and net loss of EPI and its subsidiaries which were included in the consolidated statements of income for the year ended December 31, 2015 amounted to nil and ₱71.3 million, respectively. Had the acquisition of EPI and its subsidiaries occurred at the beginning of the year, the Group's revenue and net income for the year ended December 31, 2015 would have decreased by nil and ₱344.3 million, respectively.

Cash flow on acquisition follows:

Cash acquired from EPI and its subsidiaries	₱179,836
Cash paid for drawdowns of second tranche convertible loan	267,600
Net cash outflow	₱87,764

Acquisition of Geogen
On August 4, 2015, the Parent Company acquired 240,000,000 shares, or 100% equity interest, of Geogen for a total consideration of ₱484.8 million. On the same date, a Deed of Assignment of Receivables was also executed between the Parent Company and the previous shareholders of Geogen wherein the Parent Company paid the amount of ₱209.2 million representing the advances from stockholders of Geogen prior to acquisition. Geogen is the claimowner of the Isabela Nickel Project with an aggregate area of 2,392 hectares located in Dinapigue, Isabela covered by MPSA No. 258-2007-II.

The amounts recognized as at August 4, 2015 for each major class of Geogen's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱509
Trade and other receivables	402
Prepayments and other current assets	32,800
Property and equipment	1,144
Deferred mine exploration costs	880,688
Other noncurrent assets	35,533
Total assets	951,076
Liabilities	
Trade and other payables	209,339
Provision for mine rehabilitation and decommissioning	31,989
Deferred income tax liabilities	164,262
Total liabilities	405,590
Net assets acquired	₱545,486

Income from acquisition is computed as follows:

Acquisition cost	₱485,565
Less: Fair value of net identifiable assets and liabilities acquired	545,486
Gain on bargain purchase (see Note 31)	₱59,921

From acquisition date to December 31, 2015, the amounts of revenue and net loss of Geogen which were included in the consolidated statements of income for the year ended December 31, 2015 amounted to nil and ₱14.9 million, respectively. Had the acquisition of Geogen occurred at the beginning of the year, the Group's revenue and net income for the year ended December 31, 2015 would have decreased by nil and ₱31.4 million, respectively.

Cash flow on acquisition follows:

Cash acquired from Geogen		₱509
Cash paid for:		
Acquisition of shares	484,768	
Assignment of advances from previous shareholders	209,232	
Others	797	694,797
Net cash outflow		₱694,288

Acquisition of Jobin

On July 16, 2015, EPI entered into a Deed of Assignment with the previous shareholders of Jobin and acquired 200,000 shares, or 100% equity interest, of Jobin for a total consideration of ₱0.2 million. Jobin is the holder of Solar Energy Service Contract (SESC) No. 2013-10-039 and Wind Energy Service Contract (WESC) No. 2013-10-062 which both covers an area in the municipalities of Morong and Hermosa, Bataan. The transaction was accounted for as an asset acquisition. The amounts recognized as at July 16, 2015 for each major class of Jobin's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱200
Property and equipment	455
Total assets	655
Liabilities	
Trade and other payables	455
Net assets acquired	₱200

The excess of the Group's cost of investment in Jobin over the underlying net assets at the date of acquisition amounting to ₱0.5 million was allocated to the "Property and equipment" account in the consolidated statements of financial position.

From acquisition date to December 31, 2015, the amounts of revenue and net loss of Jobin which were included in the consolidated statements of income for the year ended December 31, 2015 amounted to nil and ₱0.5 million, respectively, which also have the same impact had the acquisition of Jobin occurred at the beginning of the year.

Cash flow on acquisition follows:

Cash acquired from Jobin	₱200
Cash paid for acquisition	200
Net cash outflow	₱–

Acquisition of Newminco
On December 14, 2015, CExCI entered into a SPA to acquire 100% equity interest of Newminco for a total consideration of ₱64.8 million.

CExCI acquired the shares of Newminco on a deferred payment basis and with the following terms: a downpayment of ₱30.8 million upon execution of the SPA while the remaining balance of ₱34.0 million, which is non-interest bearing, is payable over a seven (7) year period.

The amounts recognized as at December 14, 2015 for each major class of Newminco's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱68
Deferred mine exploration cost	61,680
Total assets	61,748
Liabilities	
Trade and other payables	4,273
Net assets, including share of NCI	57,475
Share of NCI	857
Net assets acquired	₱58,332

NCI have been measured at its proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The excess of the Group's cost of investment in Newminco over the underlying net assets at the date of acquisition amounting to ₱60.5 million was allocated to the "Deferred mine exploration costs" account in the consolidated statements of financial position.

From acquisition date to December 31, 2015, the amounts of revenue and net loss of Newminco which were included in the consolidated statements of income for the year ended December 31, 2015 amounted to nil and ₱0.1 million, respectively. Had the acquisition of Newminco occurred at the beginning of the year, the Group's revenue and net income for the year ended December 31, 2015 would have decreased by nil and ₱0.3 million, respectively.

Cash flow on acquisition follows:

Cash acquired from Newminco	₱68
Cash paid for acquisition	30,750
Net cash outflow	₱30,682

Acquisition of BGI
On August 24, 2015, EPI and BHI entered into an Investment Agreement with OGI and BGHI to acquire 60% equity interest of BGI for a consideration of ₱1.8 million, subject to the SEC's approval of the increase in authorized capital stock of BGI. The increase in authorized capital stock of BGI was approved by the SEC on December 17, 2015 and the corresponding shares were

subsequently issued to BHI. BGI is the holder of Geothermal Renewable Energy Service Contract (GRESC) No. 2010-02-010 which covers the geothermal field in Biliran, Leyte.

The transaction was accounted as an acquisition of a business. The provisional fair values recognized as at December 17, 2015 for each major class of BGI's identifiable assets and liabilities follow:

	Fair Value
Assets	
Cash	₱13,787
Trade and other receivables	72,668
Prepayments and other current assets	3,210
Property and equipment	3,925
Geothermal exploration and evaluation assets	4,794,096
Other noncurrent assets	254,327
Total assets	5,142,013
Liabilities	
Trade and other payables	5,187,541
Deferred income tax liabilities	87,485
Total liabilities	5,275,026
Net liabilities, including share of NCI	(133,013)
Share of NCI	134,858
Net assets acquired	₱1,845

The fair value of trade and other receivables approximates its carrying amounts since these are short-term in nature. None of the trade and other receivables has been impaired and it is expected that the full contractual amounts can be collected/recovered.

NCI have been measured at its proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The excess of the Group's cost of investment in BGI over its proportionate share in the underlying net assets at the date of acquisition amounting to ₱291.6 million was allocated to the "Geothermal exploration and evaluation assets" account in the consolidated statement of financial position.

From acquisition date to December 31, 2015, the amounts of revenue and net income of BGI which were included in the consolidated statements of income for the year ended December 31, 2015 amounted to nil and ₱15.3 million, respectively. Had the acquisition of BGI occurred at the beginning of the year, the Group's revenue and net income for the year ended December 31, 2015 would have decreased by nil and ₱240.6 million, respectively.

Cash flow on acquisition follows:

Cash acquired from BGI	₱13,787
Cash paid	1,845
Net cash inflow	₱11,942

33. **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	**2015**	2014
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material NCI:

	2015	2014
RTN	**₱1,031,567**	₱1,040,362
TMC	**2,324,965**	2,277,615

Net income attributable to material NCI:

	2015	2014
RTN	**₱597,515**	₱1,136,565
TMC	**497,302**	1,326,530

Other comprehensive income (loss) attributable to material NCI:

	2015	2014
RTN	**(₱7,234)**	₱12,013
TMC	**3,712**	7,385

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, 2015:

	RTN	**TMC**
Revenues	**₱5,257,005**	**₱5,509,619**
Cost of sales and services	**(2,488,429)**	**(2,329,682)**
Operating expenses	**(775,960)**	**(1,247,665)**
Other income - net	**130,484**	**81,646**
Finance income - net	**10,863**	**20,777**
Income before income tax	**2,133,963**	**2,034,695**
Provision for income tax	**(640,175)**	**(613,832)**
Net income	**1,493,788**	**1,420,863**
Other comprehensive income (loss)	**(18,086)**	**10,606**
Total comprehensive income - net	**₱1,475,702**	**₱1,431,469**
Attributable to NCI	**₱590,281**	**₱501,014**
Dividends paid to NCI	**600,000**	**455,000**

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)	(1,752,975)
Other income (charges) - net	139,227	(13,930)
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 financial position as at December 31, 2015 and 2014:

	RTN		TMC	
	2015	2014	**2015**	2014
Current assets	**₱2,390,416**	₱1,992,178	**₱4,753,551**	₱4,050,179
Noncurrent assets	**1,335,484**	1,606,618	**4,717,085**	4,298,935
Current liabilities	**(1,047,563)**	(881,208)	**(1,388,816)**	(381,606)
Noncurrent liabilities	**(99,418)**	(116,683)	**(1,439,063)**	(1,460,036)
Total equity	**₱2,578,919**	₱2,600,905	**₱6,642,757**	₱6,507,472
Attributable to equity holders of parent	**₱1,547,351**	₱1,560,543	**₱4,317,792**	₱4,229,857
NCI	**1,031,568**	1,040,362	**2,324,965**	2,277,615

Summarized cash flow information for the years ended December 31, 2015 and 2014:

	RTN		TMC	
	2015	2014	**2015**	2014
Operating	**₱1,685,649**	₱3,665,698	**₱1,966,420**	₱3,625,536
Investing	**(197,236)**	(190,957)	**(1,004,472)**	(665,389)
Financing	**(1,042,820)**	(5,483,554)	**(403,742)**	(2,209,872)
Net increase (decrease) in cash and cash equivalents	**₱445,593**	(₱2,008,813)	**₱558,206**	₱750,275

34. **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 2015, 2014 and 2013, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2015 and 2014.

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 15)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 15)		Short-term and Long-term Debts (see Note 16)			
	2015	2014	2013	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	Terms	Conditions
Stockholders															
PAMCO															
Sale of ore	**₱2,853,830**	₱4,120,959	₱1,269,780	**₱136,048**	₱13,025	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	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	**359**	630	295	**–**	–	**86**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**7,008**	6,419	4,447	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	**224**	262	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
SMM															
Sale of ore	**438,851**	879,528	192,701	**241**	2,603	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee (see Note 30)	**124,194**	134,766	103,351	**–**	–	**43,731**	43,639	**–**	–	**–**	–	**–**	–	Every twenty first (21st) of February, March, August and September	Unsecured
Short-term advances	–	–	1,783	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Loan facility	–	–	–	**–**	–	**–**	–	**–**	–	**–**	–	**105,415**	140,242	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	**14**	21	100	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 15)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 15)		Short-term and Long-term Debts (see Note 16)		Terms	Conditions
	2015	2014	2013	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014		
With Common Stockholders															
Manta															
Rentals, dues and utilities	**₱26,687**	₱25,639	₱14,190	**₱–**	₱–	**₱417**	₱33	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**10,163**	9,917	9,842	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**3**	64	1,147	**–**	–	**–**	–	**2,166**	3	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Loan facility	**180,000**	–	–	**–**	–	**–**	–	**–**	–	**–**	–	**180,000**	–	Principal is payable at the end of loan agreement; interest is at five percent (5%)	Unsecured; no guarantee
Interest income on loan	**5,066**	–	–	**–**	–	**5,066**	–	**–**	–	**–**	–	**–**	–	Interest is payable at the end of loan agreement	Unsecured; no guarantee
Associates															
CBNC															
Sale of ore and services	**1,543,469**	2,087,569	1,744,600	**157,165**	194,757	**–**	–	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**48,152**	47,829	52,455	**30,180**	29,418	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**24,682**	60,698	8,846	**17,993**	9,944	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**544**	–	625	**–**	–	**–**	–	**–**	–	**544**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
THNC															
Sale of ore	**1,114,844**	1,434,220	237,071	**77,348**	121,305	**–**	–	**–**	–	**–**	–	**–**	–	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**129,202**	130,310	125,003	**31,683**	31,371	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 34a)	**270,185**	267,504	124,523	**69,168**	28,106	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,703**	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 15)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 15)		Short-term and Long-term Debts (see Note 16)			
	2015	2014	2013	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	Terms	Conditions
Loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱1,276,503**	₱1,291,290	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	**2,208**	2,054	–	**125**	2,054	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**21,484**	21,621	22,175	**–**	–	**–**	–	**8,362**	4,490	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Affiliates															
OGI															
Short-term advances	**–**	–	–	**–**	–	**–**	–	**–**	–	**1,254,270**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
BGHI															
Short-term advances	**–**	–	–	**–**	–	**–**	–	**–**	–	**3,887,252**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Others															
Short-term advances	**–**	–	–	**–**	–	**–**	–	**5,436**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱519,951	₱432,583	**₱49,300**	₱43,672	**₱15,964**	₱4,493	**₱5,142,066**	₱–	**₱1,561,918**	₱1,431,532		

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, 2015 and 2014 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 39f), 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 financial 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, 2015 and 2014 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 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 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 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.

The Parent Company, along with the other stockholders of THNC, also agreed to make loans to THNC or guarantee the repayment of THNC's loan obligations in accordance with the financial requirements of THNC, in proportion to their shareholding ratio in THNC.

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

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 loan obligations 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 loan obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of one percent (1%) of CBNC's outstanding loan obligations until August 2015.

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 16).

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 2015, 2014 and 2013 amounted to about ₱273.9 million, ₱253.5 million and ₱162.6 million, respectively, inclusive of cost of share-based payment of ₱57.8 million, ₱43.0 million and ₱10.4 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱9.0 million, ₱14.3 million, and ₱4.1 million in 2015, 2014, and 2013, respectively.

e. Lease Agreement

On March 18, 2013, the Group entered into a lease agreement with Manta 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 ₱20.5 million, ₱19.2 million and ₱10.1 million in 2015, 2014 and 2013, respectively.

Future minimum rent payable under the lease as at December 31, 2015 and 2014 are as follows:

	2015	2014
Within one (1) year	**₱20,745**	₱18,397
After one (1) year but not more than five (5) years	**31,946**	48,315
	₱52,691	₱66,712

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 39a.

The table below shows the movement of the convertible loan as at December 31, 2015 and 2014.

	2015	2014
Balances at January 1	**₱276,342**	₱–
Undiscounted loan	**267,600**	283,400
Less:		
Derivative asset (see Note 8)	**8,263**	5,508
Day 1 difference (see Note 30)	**–**	3,242
Carrying value	**535,679**	274,650
Add:		
Movement in day 1 difference (see Notes 29 and 30)	**2,123**	1,119
Accretion of interest (see Note 29)	**3,933**	573
Less:		
Collection of loans	**105,000**	–
Loan conversion into equity	**436,735**	–
Net carrying values at December 31	**₱–**	₱276,342

35. **Pension Liability**

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:

	2015	2014
Funded pension liabilities:		
TMC	**₱136,994**	₱136,502
RTN	**18,178**	–
HMC	**14,885**	20,199
Unfunded pension liabilities:		
CMC	**40,379**	39,787
NAC	**39,643**	34,850
	₱250,079	₱231,338
Funded pension asset:		
RTN (see Note 14)	**₱–**	₱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 pension assets in 2015, 2014 and 2013 are as follows:

December 31, 2015														
		Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							
	January 1, 2015	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, 2015
RTN	₱383,979	₱24,560	₱22,117	₱–	₱46,677	(₱58,943)	₱–	₱–	₱28,650	(₱23,055)	₱–	₱5,595	₱–	₱377,308
TMC	249,346	22,589	13,490	–	36,079	(8,870)	–	–	1,048	(20,308)	–	(19,260)	–	257,295
HMC	24,400	3,486	1,391	–	4,877	(498)	–	–	3,369	(3,367)	–	2	–	28,781
Defined benefit liability	657,725	50,635	36,998	–	87,633	(68,311)	–	–	33,067	(46,730)	–	(13,663)	–	663,384
RTN	(390,420)	–	(21,560)	–	(21,560)	58,943	20,614	–	–	–	–	20,614	(26,707)	(359,130)
TMC	(112,844)	–	(6,406)	–	(6,406)	8,870	10,079	–	–	–	–	10,079	(20,000)	(120,301)
HMC	(4,201)	–	(513)	–	(513)	498	423	–	–	–	–	423	(10,103)	(13,896)
Fair value of plan assets	(507,465)	–	(28,479)	–	(28,479)	68,311	31,116	–	–	–	–	31,116	(56,810)	(493,327)
RTN	351	–	20	–	20	–	–	–	–	–	(371)	(371)	–	–
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–	–
HMC	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	351	–	20	–	20	–	–	–	–	–	(371)	(371)	–	–
RTN	(6,090)	24,560	577	–	25,137	–	20,614	–	28,650	(23,055)	(371)	25,838	(26,707)	18,178
TMC	136,502	22,589	7,084	–	29,673	–	10,079	–	1,048	(20,308)	–	(9,181)	(20,000)	136,994
HMC	20,199	3,486	878	–	4,364	–	423	–	3,369	(3,367)	–	425	(10,103)	14,885
Pension liability	₱150,611	₱50,635	₱8,539	₱–	₱59,174	₱–	₱31,116	₱–	₱33,067	(₱46,730)	(₱371)	₱17,082	(₱56,810)	₱170,057

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 experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contributions	December 31, 2013
RTN	₱306,001	₱24,601	₱20,715	₱45,316	(₱20,691)	₱–	₱9,492	₱54,110	₱–	₱63,602	₱–	₱394,228
TMC	171,213	21,501	10,769	32,270	(5,206)	–	(159)	43,138	–	42,979	–	241,256
Defined benefit liability	477,214	46,102	31,484	77,586	(25,897)	–	9,333	97,248	–	106,581	–	635,484
RTN	(370,170)	–	(24,360)	(24,360)	20,691	19,797	–	–	–	19,797	–	(354,042)
TMC	(69,460)	–	(4,520)	(4,520)	5,206	1,640	–	–	–	1,640	(10,000)	(77,134)
Fair value of plan assets	(439,630)	–	(28,880)	(28,880)	25,897	21,437	–	–	–	21,437	(10,000)	(431,176)
RTN	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
TMC	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
RTN	(56,986)	24,601	(3,158)	21,443	–	19,797	9,492	54,110	(7,670)	75,729	–	40,186
TMC	101,753	21,501	6,249	27,750	–	1,640	(159)	43,138	–	44,619	(10,000)	164,122
Pension liability	₱44,767	₱46,102	₱3,091	₱49,193	₱–	₱21,437	₱9,333	₱97,248	(₱7,670)	₱120,348	(₱10,000)	₱204,308

Changes in unfunded pension liability as at December 31, 2015, 2014 and 2013 are as follows:

December 31, 2015

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2015	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	December 31, 2015
NAC	₱34,850	₱5,709	₱1,979	₱7,688	₱–	₱–	(₱1,010)	(₱1,885)	(₱2,895)	₱39,643
CMC	39,787	3,882	2,145	6,027	(295)	(5,581)	(2,086)	2,527	(5,140)	40,379
Pension liability	₱74,637	₱9,591	₱4,124	₱13,715	(₱295)	(₱5,581)	(₱3,096)	₱642	(₱8,035)	₱80,022

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 experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	December 31, 2014
NAC	₱23,214	₱14,447	₱1,117	₱15,564	₱–	₱1,373	(₱2,609)	(₱2,692)	(₱3,928)	₱34,850
CMC	31,418	3,685	1,480	5,165	(2,036)	(1,636)	10,379	(3,503)	5,240	39,787
Pension liability	₱54,632	₱18,132	₱2,597	₱20,729	(₱2,036)	(₱263)	₱7,770	(₱6,195)	₱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 experience adjustments	Actuarial changes arising from changes in financial assumptions	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)	1,192	5,794	2,558	31,418
HMC	9,794	1,746	648	2,394	–	–	5,164	2,783	7,947	20,135
Pension liability	₱34,780	₱9,071	₱2,227	₱11,298	(₱648)	(₱4,428)	₱25,188	₱8,577	₱29,337	₱74,767

The main categories of plan assets as a percentage of the fair value of total plan assets follow:

2015	**RTN**	**TMC**	**HMC**
Fixed income securities	**50.83%**	**85.33%**	**73.93%**
Investments in shares of stock	**14.87%**	**1.08%**	**20.38%**
Others	**34.30%**	**13.59%**	**5.69%**
	100.00%	**100.00%**	**100.00%**

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%

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:

2015	**NAC**	**RTN**	**TMC**	**HMC**	**CMC**
Discount rate	**6.33%**	**6.44%**	**6.01%**	**6.43%**	**5.85%**
Expected salary increase rate	**5.00%**	**5.00%**	**10.00%**	**5.00%**	**5.00%**

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%

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 financial reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	**2015**	2014
Discount rates	+100 basis points	**(₱72,950)**	(₱69,280)
	-100 basis points	**77,483**	82,713
Salary increase rate	+100 basis points	**₱69,222**	₱74,068
	-100 basis points	**(67,554)**	(63,677)

As at March 15, 2016, the Group has not yet reasonably determined the amount of 2016 contributions to the retirement fund.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2015	2014
Within the next twelve (12) months	**₱75,052**	₱89,746
Between two (2) and five (5) years	**176,042**	187,308
Between six (6) and ten (10) years	**303,511**	339,706
Total expected payments	**₱554,605**	₱616,760

The average duration of the pension liability as at December 31, 2015 and 2014 is 12.8 years and 14.3 years, respectively.

36. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of RTN, TMC, HMC, CMC and MEI, Gross Income Tax (GIT) of RTN and TMC and Minimum Corporate Income Tax (MCIT) of NAC, CEXCI and Geogen in 2015, RCIT of HMC, TMC, RTN, CMC and LCSLC, GIT of TMC and RTN and MCIT of NAC and CEXCI in 2014 and RCIT of HMC, TMC and RTN, GIT of TMC and RTN and MCIT of NAC, CMC and LCSLC in 2013, as follows:

	2015	2014	2013
RTN	**₱635,063**	₱1,287,084	₱321,338
TMC	**583,088**	1,623,117	345,837
CMC	**197,325**	585,702	7,819
HMC	**173,753**	736,995	487,825
NAC	**13,562**	7,899	6,574
MEI	**2,937**	–	–
Geogen	**20**	–	–
CExCI	**2**	3	–
LCSLC	**–**	24,668	111
	₱1,605,750	₱4,265,468	₱1,169,504

All other companies under the Group were in a gross and net taxable loss positions in 2015, 2014 and 2013.

The reconciliation between the provisions for (benefit from) income tax computed at the statutory income tax rates and the provision for (benefit from) income tax computed at the effective income tax rates as shown in the consolidated statements of income follows:

	2015	2014	2013
Income tax at statutory rates from non-Philippine Export Zone Authority (PEZA) registered activities	**₱2,621,842**	₱7,444,331	₱1,785,374
Income tax at statutory rates from PEZA registered activities	**(2,168)**	475	(4,554)
Add (deduct) tax effects of:			
Dividend income exempt from income tax	**(903,049)**	(2,706,217)	(534,152)
Movements in deductible temporary differences for which deferred income taxes were recognized	**(66,001)**	(68,349)	(73,938)
Interest income subjected to final tax	**(48,237)**	(47,373)	(46,249)
Nondeductible expenses	**43,767**	17,029	13,032
Expired net operating loss carry over (NOLCO) and excess of MCIT over RCIT	**29,013**	10,826	37,767
Realized benefit from ESOP exercised	**(10,207)**	(65,505)	–
Change in unrecognized deferred income tax assets	**(2,481)**	(530)	6,295
Gain on revaluation of AFS financial asset	**–**	(208,294)	–
Benefits from availment of optional standard deduction	**–**	(80,089)	(56,877)
Others	**4,807**	(3,477)	(2,483)
Income tax at effective rates	**₱1,667,286**	₱4,292,827	₱1,124,215

The components of the Group's net deferred income tax assets and liabilities follow:

	2015	2014
Deferred income tax assets:		
At 30%		
Pension costs	**₱80,677**	₱74,689
Unrealized foreign exchange gains - net	**(69,421)**	(37,237)
Provision for mine rehabilitation and decommissioning	**38,429**	36,100
Allowance for impairment losses on:		
Inventories	**31,337**	46,097
Trade and other receivables	**4,549**	8,482
Deferred mine exploration costs	**1,507**	1,507
Property and equipment	**–**	29,546
Costs of share-based payment plan	**30,637**	13,308
Excess of MCIT over RCIT	**28,036**	14,474
Undepleted asset retirement obligation	**(11,649)**	(11,760)
NOLCO	**8,549**	83,502
Unrealized valuation losses (gains) on AFS financial assets	**6,059**	(59,376)
Accrued SDMP costs	**–**	174
Others	**1,096**	4,714
At 5%		
Deferred income	**3,579**	3,790
Unrealized foreign exchange gains - net	**(125)**	(43)
	₱153,260	₱207,967
Deferred income tax liabilities at 30%:		
Fair value adjustment arising from business combination	**251,590**	–
Asset revaluation surplus	**160,676**	164,063
Long-term stockpile inventory	**160,412**	223,026
Share in cumulative translation adjustment (see Note 11)	**70,012**	33,961
Unamortized debt issue costs	**2,899**	–
Others	**1,782**	–
	₱647,371	₱421,050

The Group did not recognize 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.

	2015	2014
NOLCO	**₱265,225**	₱77,171
Allowance for impairment losses	**245,422**	159,741
Unrealized foreign exchange losses	**111,150**	–
Provision for mine rehabilitation and decommissioning	**31,989**	–
Excess of MCIT over RCIT	**1,317**	5
Others	**59**	(144)
	₱655,162	₱236,773

As at December 31, 2015 and 2014, 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	**2015**	2014	**2015**	2014
2015	2018	**₱180,927**	₱–	**₱13,584**	₱–
2014	2017	**75,024**	30,861	**8,374**	7,902
2013	2016	**36,688**	24,337	**7,395**	6,575
2012	2015	–	299,421	–	2
		₱292,639	₱354,619	**₱29,353**	₱14,479

As at December 31, 2015 and 2014, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

		NOLCO	
Year Incurred	Year of Expiration	**2015**	2014
2015	2020	**₱191**	₱–
2014	2019	**146**	146
2013	2018	**272**	272
2012	2017	**267**	267
2011	2016	**208**	208
		₱1,084	₱893

Movements in NOLCO are as follows:

	2015	2014
Balances at January 1	**₱355,512**	₱530,357
Additions	**120,823**	31,007
Acquisition of subsidiaries	**116,809**	–
Applications	**(247,909)**	(169,834)
Expirations	**(51,512)**	(36,018)
Balances at December 31	**₱293,723**	₱355,512

Movements in excess of MCIT over RCIT are as follows:

	2015	2014
Balances at January 1	**₱14,479**	₱26,462
Additions	**13,584**	7,902
Acquisition of subsidiaries	**1,357**	–
Applications	**(65)**	(19,864)
Expirations	**(2)**	(21)
Balances at December 31	**₱29,353**	₱14,479

37. Financial Risk Management Objectives and Policies and Capital Management

The Group's main financial instruments are cash and cash equivalents, AFS financial assets and short-term and long-term debts. 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, short-term cash investment and derivative asset which are under "Prepayments and other current assets", loan receivable, MRF, SDMP funds, long-term negotiable instrument, restricted cash and cash held in escrow which are under "Other noncurrent assets", trade and other payables and long-term payable which arise directly from its operations and investing and financing 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.

In managing credit risk on investments, capital preservation is paramount. 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, thus there is no requirement for collateral. 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.

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 and Risk Committee.

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 which are under "Prepayments and other current assets" and loan receivable, MRF, SDMP funds, long-term negotiable instrument, restricted cash and cash held in escrow which are 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, 2015 and 2014 are summarized in the following tables:

2015	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents	**₱7,069,343**	**₱–**	**₱–**	**₱7,069,343**
Cash with banks	1,531,544	–	–	1,531,544
Cash under manager funds	199,300	–	–	199,300
Short-term cash investments	5,338,499	–	–	5,338,499
Trade and other receivables	**769,571**	**124,299**	**19,388**	**913,258**
Trade	463,904	94,258	17,323	575,485
Loan and notes receivable	157,896	–	–	157,896
Receivable from CBNC	18,138	30,035	–	48,173
Interest receivable	40,448	–	–	40,448
Advances to Ludgoron	23,394	–	–	23,394
Amounts owed by related parties	15,964	–	–	15,964
Others	49,827	6	2,065	51,898
Prepayments and other current assets	**–**	**–**	**–**	**–**
Short-term cash investment	–	–	–	–
Derivative asset	–	–	–	–
AFS financial assets	**5,831,037**	**–**	**–**	**5,831,037**
Quoted debt securities	4,377,774	–	–	4,377,774
Quoted equity securities	1,250,444	–	–	1,250,444
Unquoted equity securities	202,819			202,819
Other noncurrent assets	**1,146,393**	**–**	**–**	**1,146,393**
Loan receivable - net of current portion	842,104			842,104
MRF	214,932	–	–	214,932
SDMP funds	59,264	–	–	59,264
Long-term negotiable instrument	30,000	–	–	30,000
Restricted cash	93	–	–	93
Cash held in escrow	–	–	–	–
	₱14,816,344	**₱124,299**	**₱19,388**	**₱14,960,031**

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	1,213,585	–	–	1,213,585
Cash under managed funds	4,394	–	–	4,394
Short-term cash investments	12,332,591	–	–	12,332,591
Trade and other receivables	1,203,111	107,736	36,317	1,347,164
Trade	756,100	98,817	25,059	879,976
Loan and notes receivable	276,342	–	–	276,342
Receivable from CBNC	30,443	8,919	–	39,362
Interest receivable	24,723	–	–	24,723
Advances to Ludgoron	–	–	–	–
Amounts owed by related parties	4,493	–	–	4,493
Others	111,010	–	11,258	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	2,006,838	–	–	2,006,838
Quoted equity securities	603,475	–	–	603,475
Unquoted equity securities	194,116	–	–	194,116
Other noncurrent assets	277,490	–	–	277,490
Loan receivable - net of current portion	–	–	–	–
MRF	178,513	–	–	178,513
SDMP funds	23,865	–	–	23,865
Long-term negotiable instrument	30,000	–	–	30,000
Restricted cash	–	–	–	–
Cash held in escrow	45,112	–	–	45,112
	₱18,041,108	₱107,736	₱36,317	₱18,185,161

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, MRF, SDMP funds, restricted cash and cash held in escrow 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 (S&P) credit rating of at least A. Management assesses the quality of these assets as high grade.

- Trade receivables, loan and notes receivable, receivable from CBNC, advances to Ludgoron, 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 which are not foreseen to be collected are classified as substandard grade.

- Interest receivables are derived from short-term cash investments which are 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 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 and/or 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.

- Restricted cash and cash held in escrow are trust accounts deposited in local banks with low probability of insolvency, thus are assessed 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, advances from related parties and borrowings from banks. Aside from yielding good returns, the Group ensures that investments have ample liquidity to finance operations and capital requirements. 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, 2015 and 2014 based on contractual undiscounted payments.

2015	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Trade and other payables					
Trade	**₱356,070**	**₱188,207**	**₱147,980**	**₱–**	**₱692,257**
Amounts owed to related parties	**5,142,066**	–	–	–	**5,142,066**
Dividends payable	–	**493,250**	–	–	**493,250**
Accrued expenses	**424,568**	**6,509**	**6,997**	–	**438,074**
Retention payable	**23,043**	–	–	–	**23,043**
Interest payable	**17,778**	–	–	–	**17,778**
Others	**85,550**	**2,016**	–	–	**87,566**
Short-term debt	–	–	**180,000**	–	**180,000**
Long-term debt					
Principal	–	**21,083**	**103,438**	**3,367,397**	**3,491,918**
Interest	–	**9,732**	**109,478**	**656,902**	**776,112**
Long-term payable					
Carrying amount	–	–	–	**27,641**	**27,641**
Unamortized discount	–	–	–	**6,359**	**6,359**
	₱6,049,075	**₱720,797**	**₱547,893**	**₱4,058,299**	**₱11,376,064**

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
Amounts owed to related parties	–	–	–	–	–
Dividends payable	–	–	2,520	–	2,520
Accrued expenses	196,723	85,400	30,837	–	312,960
Retention payable	446	118	–	–	564
Interest payable	6,309	–	–	–	6,309
Others	11,128	2,550	129	–	13,807
Short-term debt	–	–	–	–	–
Long-term debt					
Principal	–	20,034	98,295	1,313,203	1,431,532
Interest	–	–	24,078	444,079	468,157
Long-term payable					
Carrying amount	–	–	–	–	–
Unamortized discount	–	–	–	–	–
	₱443,503	₱488,241	₱261,835	₱1,757,282	₱2,950,861

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, 2015 and 2014.

2015	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	**₱1,535,372**	**₱–**	**₱–**	**₱–**	**₱1,535,372**
Cash under managed funds	**199,300**	–	–	–	**199,300**
Short-term cash investments	**5,338,499**	–	–	–	**5,338,499**
Trade and other receivables					
Trade	**463,904**	**94,258**	–	–	**558,162**
Loan and notes receivable	–	–	**157,896**	–	**157,896**
Receivable from CBNC	**30,035**	**18,138**	–	–	**48,173**
Interest receivable	**40,448**	–	–	–	**40,448**
Advances to Ludgoron	**23,394**	–	–	–	**23,394**
Amounts owed by related parties	**15,964**	–	–	–	**15,964**
Others	**49,833**	–	–	–	**49,833**
Prepayments and other current assets					
Short-term cash investment	–	–	–	–	–
Derivative asset	–	–	–	–	–
AFS financial assets					
Quoted debt securities	**4,377,774**	–	–	–	**4,377,774**
Quoted equity securities	**1,250,444**	–	–	–	**1,250,444**
Unquoted equity securities	**202,819**	–	–	–	**202,819**
Other noncurrent assets					
Loan receivable - net of current portion	–	–	–	**842,104**	**842,104**
MRF	**214,932**	–	–	–	**214,932**
SDMP funds	**59,264**	–	–	–	**59,264**
Long-term negotiable instrument	–	–	–	**30,000**	**30,000**
Restricted cash	**93**	–	–	–	**93**
Cash held in escrow	–	–	–	–	–
	₱13,802,075	**₱112,396**	**₱157,896**	**₱872,104**	**₱14,944,471**

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	₱1,224,818	₱–	₱–	₱–	₱1,224,818
Cash under managed funds	4,394	–	–	–	4,394
Short-term cash investments	12,332,591	–	–	–	12,332,591
Trade and other receivables					
Trade	753,196	101,721	–	–	854,917
Notes receivable	–	–	276,342	–	276,342
Receivable from CBNC	8,919	30,443	–	–	39,362
Interest receivable	24,723	–	–	–	24,723
Advances to Ludgoron	–	–	–	–	–
Amounts owed by related parties	4,493	–	–	–	4,493
Others	111,010	–	–	–	111,010
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	2,006,838	–	–	–	2,006,838
Quoted equity securities	603,475	–	–	–	603,475
Unquoted equity securities	194,116	–	–	–	194,116
Other noncurrent assets					
Loan receivable - net of current portion	–	–	–	–	–
MRF	178,513	–	–	–	178,513
SDMP funds	23,865	–	–	–	23,865
Long-term negotiable instrument	–	–	–	30,000	30,000
Restricted cash	–	–	–	–	–
Cash held in escrow	45,112	–	–	–	45,112
	₱17,716,063	₱132,164	₱281,850	₱30,000	₱18,160,077

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, 2015 and 2014 are as follows:

	2015		2014	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$87,125**	**₱4,100,579**	$150,412	₱6,726,410
Trade and other receivables	**8,095**	**380,973**	17,337	775,323
AFS financial assets	**50,444**	**2,373,885**	18,591	831,384
	$145,664	**₱6,855,437**	$186,340	₱8,333,117
Financial liabilities:				
Trade and other payables	**$110,953**	**₱5,221,455**	$1,518	₱67,880
Long-term debt	**29,365**	**1,381,917**	32,011	1,431,532
	$140,318	**₱6,603,372**	$33,529	₱1,499,412

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱47.06 and ₱44.72 as at December 31, 2015 and 2014, 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, 2015 and 2014 follows:

	Peso Weakens (Strengthens)	Sensitivity to pretax income
2015	**₱0.50**	**₱2,673**
	(0.40)	**(2,138)**
2014	₱0.65	₱99,327
	(0.50)	(76,405)

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:

2015	**<1 year**	**1-5 years**	**>5 years**	**Total**
Floating rate (LIBOR plus 2% spread) - long-term debt	**₱124,521**	**₱392,669**	**₱864,728**	**₱1,381,918**

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

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, 2015 and 2014, 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, 2015 and 2014 are as follows:

	Change in interest rate (in basis points)	Sensitivity to income before income tax	Sensitivity to equity
December 31, 2015			
AFS financial assets	**+100**		**(₱43,778)**
	-100		**43,778**
Long-term debt	**+100**	**(₱34,823)**	
	-100	**34,823**	
December 31, 2014			
AFS financial assets	+100		(₱20,068)
	-100		20,068
Long-term debt	+100	(₱14,315)	
	-100	14,315	

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, 2015 and 2014, 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
2015	**15.04%**	**₱61,539**
	-15.04%	**(61,539)**
2014	12.39%	₱6,269
	-12.39%	(6,269)

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, 2015 and 2014.

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,short-term and long-term debts, income tax payable, other current liability, deferred income tax liabilities, provision for mine rehabilitation and decommissioning, deferred income, long-term payable and pension liability.

The Group considers the following as capital:

	2015	2014
Capital stock	**₱3,805,670**	₱1,272,495
Stock dividends distributable	**–**	632,648
Additional paid-in capital	**8,284,767**	8,273,655
Share in cumulative translation adjustment	**406,609**	82,154
Net valuation gains (losses) on AFS financial assets	**(134,467)**	171,322
Cost of share-based payment plan	**104,824**	47,060
Asset revaluation surplus	**32,863**	33,246
Retained earnings:		
Unappropriated	**12,011,607**	15,673,051
Appropriated	**1,000,000**	1,000,000
NCI	**3,901,315**	3,716,715
	₱29,413,188	₱30,902,346

The table below shows the Group's debt-to-equity ratio as at December 31, 2015 and 2014.

	2015	2014
Total liabilities (a)	**₱12,233,020**	₱4,281,562
Equity (b)	**29,413,188**	30,902,346
Debt-to-equity ratio (a/b)	**0.42:1**	0.14:1

38. **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, Trade and Other Payables and Short-term Debt
Similarly, the carrying amounts of trade and other receivables, derivative asset, trade and other payables and short-term debt approximate their fair values due to the short-term nature of these accounts.

MRF, SDMP Funds, Long-term Negotiable Instrument, Restricted Cash and Cash held in Escrow
The carrying amount of MRF, SDMP funds, restricted cash and cash held in escrow 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.

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

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

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

Fair Value Hierarchy
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).

	2015			2014		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets measured at fair value:						
AFS financial assets						
Debt securities	**₱4,377,774**	**₱–**	**₱–**	₱2,006,838	₱–	₱–
Equity securities	**1,250,444**	**–**	**–**	603,475	–	–
	₱5,628,218	**₱–**	**₱–**	₱2,610,313	₱–	₱–

As at December 31, 2015 and 2014, 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, 2015 and 2014, 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.

39. **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 was drawn in two (2) tranches. The first and second tranche of the loans amounted to ₱105.0 million and ₱446.0 million, respectively.

The proceeds of the first tranche loan shall be used by EPI to fund the 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.

At the option of the Parent Company, the entire second tranche loan, and not any smaller portion thereof, may be converted 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 loan is subject to 2% interest p.a. The first tranche of the loan is payable one year after the first drawdown on the first tranche loan or upon sale of EPI's entire shareholdings in OMCP, whichever is earlier. The second tranche loan is payable one year after the first drawdown on the second tranche loan unless the conversion right is exercised.

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

In 2014, the first tranche loan amounting to ₱105.0 million and forty percent (40%) of the second tranche loan amounting to ₱178.4 million were already released to EPI. The remaining sixty percent (60%) of the second tranche loan amounting to ₱267.6 million were released to EPI in the first quarter of 2015. The carrying value of the loans and notes receivable from EPI as at December 31, 2015 and 2014 amounted to nil and ₱276.3 million, respectively.

On April 15, 2015, the Parent Company expressed its intention to exercise its conversion right and to convert the entire second tranche loan of ₱446.0 million to 55% equity interest in EPI, which is equivalent to 312,888,889 common shares, subject to the SEC's approval of the increase in authorized capital stock of EPI.

On July 16, 2015, the Parent Company subscribed to an additional 11% equity interest in EPI, which is equivalent to 184,052,288 common shares, for a total consideration of ₱474.0 million, subject also to the approval of EPI's increase in authorized capital stock.

The increase in EPI's authorized capital stock was approved by the SEC on July 28, 2015 and the corresponding shares were subsequently issued to the Parent Company.

The first tranche loan, including interest, was paid by EPI in August 2015.

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$1.3 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 2015, 2014 and 2013, service revenues from usage of pier facilities of TMC amounted to ₱123.7 million, ₱124.6 million and ₱119.3 million, respectively (see Note 34).

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$1,633.0 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$1,633.0 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.

On November 9, 2015, another loan facility in the amount of US$120.0 million was extended by the stockholders to THNC to cover for the latter's working capital requirements.

d. Sales Agreements

Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 34a)

Nickel Ore Supply and Service Agreement with CBNC (see Note 34a)

Nickel Ore Supply Agreement with THNC (see Note 34a)

Materials Handling Agreement with THNC (see Note 34a)

Nickel Ore Sale Agreement with SMM (see Note 34a)

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 ₱8,629.3 million, ₱15,564.6 million and ₱7,376.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Nickel Ore Supply Agreements with Queensland Nickel Pty Ltd (QNI)
RTN and CMC entered into agreements with QNI covering the sale of RTN and CMC's ore products at a fixed tonnage and specific nickel grade and iron content. Sale of ore to QNI amounted to ₱271.0 million in 2015, ₱198.6 million in 2014 and nil in 2013.

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 for the latter's Coral Bay HPAL plant and to a third party.

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.

On December 11, 2014, the Strategic Environmental Plan clearance from PCSD was issued to RTN which is 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 wherein 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 Operating Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of 25% per year over a period of four (4) years. As at December 31, 2015, the MPSA remains pending.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle. As at December 31, 2015, TMC has written-off the deferred charges relating to the limestone development and exploration amounting to ₱5.5 million (see Note 31).

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 Operating 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 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 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 2015 and 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 Operating 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 31).

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 KMI. The remaining balance will be settled by Ludgoron in due time.

CMC

East Coast

On November 19, 1997, CMC entered into a Memorandum of Agreement (MOA) with East Coast, the holder of an MPSA with the Government issued on the same date covering a contract area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The MOA allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

The MOA 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 as advances against future royalties, repayable over a ten-year (10) 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 agreed to reduce for one (1) year period the marketing and royalty fees. Royalty payment to East Coast was reduced from seven percent (7%; net of withholding taxes) to five percent (5%) during the 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 resumed in 2015 up to 2018.

Further, on December 18, 2015, CMC and East Coast executed a Supplemental Agreement to provide for the automatic renewal of the term of the MOA for another twenty-five (25) years after its expiration, or from 2022 to 2047. The MOA has not been terminated and continues to be in full force and effect subject to the supplemental terms agreed by CMC and East Coast. In consideration of the new term as well as the other conditions contained in the Supplemental Agreement, CMC agreed to lend East Coast a loan of up to ₱1,000.0 million upon fulfillment of certain conditions and pay additional royalties amounting to ₱150.0 million (see Note 39q). Thereafter, CMC shall pay East Coast commission and royalties as follows:

- Commission equivalent to 3.5% on the gross sales amount of all nickel ore;
- Royalties equivalent to either 7% or 8.75% on the gross sales amount of all nickel ore depending on the monthly average LME nickel settlement price; and
- Additional royalty ranging from ₱10.0 million to ₱50.0 million depending on CMC's audited net income after tax less the additional royalty amount.

The commission expense related to East Coast that is reported under "Marketing" amounted to ₱98.6 million, ₱109.3 million and ₱27.4 million in 2015, 2014 and 2013, respectively.

BOA

On October 12, 2004, CMC executed a 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 ten (10) year period 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 ₱0.2 million, ₱0.6 million and ₱0.9 million in 2015, 2014 and 2013, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 30).

NAC
Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company 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, the Parent Company 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 January 26, 2015, December 18 and December 3, 2013, 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, 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 the Parent Company 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 ₱124.0 million, ₱134.2 million and ₱103.3 million in 2015, 2014 and 2013, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 30).

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 10MW 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 10MW bunker-fired diesel power station is about ₱1,000.0 million, which was appropriated from its retained earnings (see Note 19).

h. Service Contracts

Solar Energy Service Contract No. 2015-01-099

On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the Department of Energy (DOE) which grant EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur. Under the SESC, EPI assumes all the technical and financial risks without any guarantee from the Philippine Government and shall not be entitled to reimbursement for any expense incurred in connection with the SESC. The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

Solar Energy Service Contract No. 2013-10-039

On October 31, 2013, Jobin entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity in the solar project.

On August 28, 2015, Jobin was granted a Certificate of Confirmation of Commerciality by the DOE for its 100.44 MW Sta. Rita solar power project located in Mt. Sta Rita, Subic Bay Freeport Zone. The certificate converts the project's SESC from exploration/pre-development stage to the development/commercial stage. Jobin will commence operations in 2016.

Wind Energy Service Contract No. 2013-10-062

On October 31, 2013, Jobin entered into a WESC with the DOE. The WESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The WESC is for a period of twenty-five (25) years, inclusive of a three (3) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the WESC shall be 1% of the gross income from the sale of electricity in the wind project.

Geothermal Renewable Energy Service Agreement No. 2014-02-054

GRESC No. 2010-02-013, which covers an approximate area of 3,914 hectares in the three barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of 40MW. Once completed, the addition of geothermal power into the present mix of Mindoro's electricity sources will have a stabilizing effect on the grid where the entire island is located.

The Project is in the exploration stage as at December 31, 2015.

As Renewable Energy (RE) Developer, EPI undertakes to provide financial, technical, or other forms of assistance with the DOE, and agrees to furnish the necessary services, technology, and financing for the geothermal operations. EPI shall assume all financial risks such that if no geothermal resources in commercial quantity is discovered and produced, EPI shall not be entitled to reimbursement for any expenses incurred in connection with the GRESC.

GRESC 2014-02-054 shall remain in force for the remainder of twenty-five (25) years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof. Moreover, if EPI has not been in default in its obligations under the GRESC, the DOE may grant an additional extension of twenty-five (25) years, provided that the total term is not to exceed fifty (50) years from the date of effectivity.

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRESC to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRESC to MGPC. The DOE approved EPI's application on February 16, 2016 under GRESC No. 2016-02-060.

i. Sub-transmission Service Agreement (SSA) with PALECO
In 2015, EPI entered into a SSA with PALECO for the installation of 69kV sub-transmission facilities and associated components (substations), and the connection of said facilities to PALECO's distribution system for the delivery of reliable power supply to the municipalities of El Nido, Taytay, San Vicente and Roxas (the "Municipalities"). Under the SSA, EPI shall develop, design, construct, install, test and commission, and finance the sub-transmission lines and substations in the Municipalities. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the SSA, PALECO shall pay monthly fees of ₱15.0 million, plus any VAT and any other applicable taxes, fees and charges. PALECO shall also pay EPI a payment security equivalent to one month monthly fee, which shall be in the form of a 30-day revolving letter of credit from a financial institution and with a maturity of 365 days.

j. PSAs with PALECO
Bunker Supply
In July 2015, EPI and PALECO entered into a PSA for the supply of electricity, which will be generated from modular and land-based bunker-fired power stations (collectively, the "Bunker Power Stations" with a contracted capacity of 15MW or up to 25MW). Under the PSA, EPI shall design, develop, construct, complete, test and commission, operate and maintain the Bunker Power Stations, as well as all activities related or incidental thereto. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI an amount equal to the summation of the Bunker Power Costs of the Generating Units plus Reserve Power Costs, plus any VAT and any other applicable taxes, fees, and charges. PALECO shall also pay EPI a payment security, as defined in the PSA.

Solar Supply
In 2015, EPI entered in a PSA with PALECO for the construction and development of a 10MW AC Solar Photovoltaic Power Station (the "Solar PV Power Station"). Under the PSA, EPI shall design, engineer, develop, construct, complete, test, commission, finance, operate and maintain the Solar PV Power Station and all activities related or incidental thereto of PALECO. All costs in connection with the building of the Solar PV Power Station shall be borne by EPI, and shall be responsible for arranging all necessary funding including any available preferential credit. During the commissioning date, PALECO shall pay EPI, a Commissioning Output at a rate equivalent to the adjusted operation and maintenance component plus any VAT and any other applicable taxes, fees, and charges. Following the commercial operation date and continuing up to the 20th year from effective date, as defined

in the PSA, PALECO shall pay EPI monthly fees equal to the capital recovery fee of the Solar PV Power Station plus fixed operations and maintenance fee and any VAT and any other applicable taxes.

As at December 31, 2015, costs incurred under the SSA, Bunker and Solar PSAs amounted to ₱16.7 million and are presented under “Property and equipment” account in the statements of financial position (see Note 9).

k. Assignment of GRESC from Constellation Energy Corp. (CEC) to EPI
On January 18, 2013, EPI entered into a MOA with CEC wherein the parties agreed that the former, eventually through a Project Company, shall develop and undertake the 20 MW Geothermal Power Plant Project (Project) initially developed by CEC by virtue of the GRESC No. 2010-02-013 granted by the DOE. On the same date, the parties entered into a Deed of Assignment for the assignment of CEC’s rights and obligations under the GRESC to EPI.

In consideration of the pre-development and preparations made by CEC to the Project, including the assignment of the GRESC, EPI agreed to compensate CEC the aggregate amount of US$2.5 million (Development Fee) which shall be payable as follows:

Award of the bid from Oriental Mindoro Electric Cooperative (ORMECO)	US$250
Signing of the PSA with ORMECO	500
Issuance by the Energy Regulatory Commission (ERC) of a Provisional Authority or Final Authority on the PSA	1,750
	US$2,500

In addition to the Development Fee and subject to certain provisions of the MOA, EPI agreed that it shall provide the funding, at no cost whatsoever to CEC, for CEC's subscriptions to five percent (5%), at maximum, of the aggregate common shares of the Project Company. The subscriptions will be based on the following conditions:

- If the projected return of investments (ROI) is less than the expected ROI of 20MW for at least twenty-five (25) years, CEC will assign all its shares in the Project Company to EPI.
- If the projected ROI is greater than or equal to the expected ROI, CEC will assign its shares in the Project Company in proportion to the ratio of the difference between projected ROI and expected ROI, to EPI.

In compliance with the above provisions of the MOA and Deed of Assignment:

- On January 25, 2013, EPI applied with the DOE to officially register EPI as RE Developer and effectively recognize EPI’s ownership of the GRESC. The DOE approved EPI’s application on February 14, 2014.
- On February 3, 2014, EPI was awarded the bid from and has signed the PSA with ORMECO. In the same period, the amount of US$750,000 was paid to CEC.
- On November 3, 2014 and December 1, 2014, EPI was granted by the ERC Final Authority on the PSAs with Occidental Mindoro Electric Cooperative (OMECO) and ORMECO, respectively. However, EPI filed a motion for reconsideration (Motion) because certain terms are not acceptable to EPI. As at December 31, 2015, the Motion is still pending with the ERC. Accordingly, the amount of US$1,750,000 remains unpaid as at December 31, 2015.
- On May 7, 2014, EPI incorporated MGPC as the Project Company.

l. Participation and Shareholder's Agreement

In May 2011, the Parent Company 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%). SMM did not exercise its option to make the additional investment and the said agreement was terminated.

CExCI has identified a new property for exploration and development in the province of Zambales under Newminco, which is prospective for gold and copper. In relation to this, SMM will put up an additional US$2.8 million to increase its ownership from 25% to 40%, thus on November 24, 2015, the shareholders of CExCI agreed to enter into a new Participation and Shareholders' Agreement to set out the rights and obligations of the shareholders in relation to the conduct of the business of CExCI. The new agreement also causes CExCI to convert the existing advances from shareholders amounting to ₱37.2 million into equity, based on the initial equity proportion of shareholders, by issuing shares out of the unissued authorized capital stock of CExCI at a premium. As at December 31, 2015, CExCI is still in the process of filing the application for the conversion of advances into equity with the SEC.

On December 18, 2015, the BOD of CExCI approved the increase in authorized capital stock of the latter. Upon approval of the SEC of the application for increase in authorized capital stock of CExCI, the additional investment of SMM amounting to US$2.8 million, which is equivalent to ₱131.9 million, will be converted into equity. After the conversion, the Parent Company and SMM's equity in CExCI shall be 57% and 40%, respectively.

m. Marketing Agreement with Mitsubishi Corporation (Mitsubishi)

RTN, TMC, HMC and CMC entered into a Marketing Agreement with Mitsubishi, wherein the latter will provide the services 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 amounted to ₱31.6 million, ₱59.6 million and ₱38.2 million in 2015, 2014 and 2013, respectively.

n. Lease Agreements

Lease of Project Area from Subic Bay Metropolitan Authority (SBMA)
Jobin entered into a fifty (50) year lease agreement with SBMA for the use of the 800-hectares project area of the solar and wind projects at Mt. Sta. Rita in Subic.

Jobin also agreed to various investment and social commitments as follows:

- infuse an investment at around US$200.0 million on the leased areas in the form of the lessee's machineries, equipment, parts, construction, labor and supplies within three (3) years from approval of capacity by the DOE or from October 29, 2015.
- introduce developments on the leased areas based on the annual work program approved by DOE.
- install utility post for the transmission lines from the leased areas to service substation of National Commission for Indigenous Peoples (NCIP) in coordination with Subic Enerzone Corp.
- compensate the Indigenous Cultural Community of Aeta for its share amounting to five percent (5%) of the monthly rental per MW installed by the lessee.
- build an access road from the leased area to the public road and renewable energy park for education and tourism.

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 2015, 2014 and 2013 (see Note 31).

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.

o. PEZA and Board of Investments (BOI) Registration

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 8, 2015, 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, 2015 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.

BOI Certifications
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, 2015 and renewable annually, unless sooner revoked by the BOI Governing Board.

In January 2016, the BOI certifications were renewed for another year starting on January 1 to December 31, 2016.

On November 12, 2014, EPI received BOI certification as RE Developer of Geothermal Energy Resources for its 40MW Montelago Geothermal Power Plant pursuant to RA 9513 otherwise known as the "Renewable Energy Act of 2008" which entitled EPI to zero-percent (0%) VAT rate for the sale of its power as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power.

p. PSAs with ORMECO and OMECO
In February 2014, EPI entered into separate PSAs with ORMECO and OMECO. Under the terms of the PSAs, EPI is committed to sell and deliver approximately 20MW each of geothermal power from the project to ORMECO and OMECO for a period of approximately twenty-five (25) years. The PSA is renewable upon the agreement of the parties and approval of the ERC.

On November 3, 2014 and December 1, 2014, EPI was granted by the ERC of the Final Authorities on the PSAs with OMECO and ORMECO, respectively. However, EPI filed a Motion because certain terms are not acceptable to EPI. As at December 31, 2015, the Motion is still pending with the ERC.

In connection with the assignment of the service contract to MGPC, the refundable deposits pertaining to compliance with the PSAs with OMECO and ORMECO amounting to ₱5.3 million were transferred by EPI to MGPC being the Project Entity (see Note 8).

q. Loan Agreement with East Coast
In relation to the Supplemental Agreement executed by CMC and East Coast on December 18, 2015, CMC agreed to lend a loan of up to ₱1,000.0 million to East Coast which is subject to 3.0% interest p.a. The loan was issued in two tranches of ₱150.0 million in October 2015 and ₱850.0 million in December 2015. As payment of the loan, CMC shall deduct fifty percent (50%) of commission and royalties, net of withholding tax and interest payments, each time a commission, royalty or additional royalty is paid by CMC to East Coast. The loan is secured by a Pledge Agreement between CMC and East Coast covering the latter's rights, interests, receivables, obligations, and liabilities over the MPSA on the Cagdianao property owned by East Coast (see Note 39e). The current portion of the loan receivable amounting to ₱157.9 million was included under "Trade and other receivables" while the noncurrent portion amounting to ₱842.1 million was included under "Other noncurrent assets" (see Notes 5 and 14). Interest income from the loan amounted to ₱1.8 million in 2015 and nil in 2014 and 2013.

r. Other Agreements

Joint Undertaking with 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 ₱50.6 million and ₱69.3 million in 2015 and 2014, respectively, in accordance with the SDMP.

Suretyship Agreement with Security Bank Corporation (SBC)
On August 4, 2015, the Parent Company entered into a Suretyship Agreement with SBC to guarantee and warrant the prompt and full payment and performance of the guaranteed obligations, including increases, renewals, roll-overs, extensions, restructuring, conversions, amendments or novations, of EPI to SBC amounting to ₱3,000.0 million. The agreement shall remain in full force and effect until full payment of the guaranteed obligations is made (see Note 16).

MOA with DOE
On December 3, 2014, the Parent Company and DOE agreed in accordance with RA 9136 or the "Electric Power Industry Reform Act of 2001" which requires all energy generation companies and/or energy resource developers to provide financial benefits equivalent to ₱0.01/kilowatt-hour (kWh) of the total electricity sales of the generation facility to its customer/off-taker to the region, province, city or municipality and barangay that host the generation facility, and to establish the corresponding trust accounts which should be administered by the DOE. The ₱0.01 financial benefits shall be allocated as follows: ₱0.005/kWh for Electrification Fund, ₱0.0025/kWh for Development and Livelihood Fund and ₱0.0025/kWh for Reforestation, Watershed Management, Health and/or Environment Enhancement Fund.

40. Events after the End of the Financial Reporting Period

Memorandum of Agreement with SMM and Mitsui
On February 15, 2016, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US$65.0 million to cover the latter's working capital requirement.

Dividend Declaration
On March 15, 2016, the Parent Company's BOD declared cash dividends amounting to ₱0.08 per share to stockholders of record as at March 31, 2016 which will be paid on April 12, 2016.

41. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing activity pertains to the declaration of stock dividends amounting to ₱1,899.2 million and ₱632.6 million in 2015 and 2014, respectively.

42. **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.

The power segment is engaged in power generation.

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

Financial information on the operation of the various business segments are as follows:

	December 31, 2015											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	Geogen	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	₱2,314,823	₱2,350,200	₱5,069,801	₱5,060,825	₱–	₱–	₱–	₱635,997	₱–	₱–	₱–	₱15,431,646
Inter-segment revenues	–	–	–	–	–	–	–	–	2,070	521,882	(523,952)	–
Total revenues (see Note 34)	2,314,823	2,350,200	5,069,801	5,060,825	–	–	–	635,997	2,070	521,882	(523,952)	15,431,646
Cost of sales	896,657	720,815	2,063,434	2,598,342	–	–	–	–	–	–	–	6,279,248
Cost of services	–	–	–	–	–	–	–	–	–	–	–	357,917
Shipping and loading costs	460,172	421,561	519,322	370,101	–	–	–	–	(13,213)	–	–	1,757,943
Excise taxes and royalties	162,037	370,157	405,584	151,825	–	–	–	–	–	–	–	1,089,603
Marketing	16,925	98,579	10,529	4,133	–	–	–	–	–	–	–	130,166
Segment operating earnings	₱779,032	₱739,088	₱2,070,932	₱1,936,424	₱–	₱–	₱–	₱278,063	₱15,300	₱521,882	(₱523,952)	₱5,816,769
General and administrative	₱144,602	₱54,081	₱146,846	₱89,035	₱18,786	₱45,476	₱–	₱–	₱904	₱413,124	₱–	₱912,854
Finance income	₱5,222	₱9,261	₱29,469	₱15,942	₱43	₱425	₱–	₱–	₱–	₱244,750	₱–	₱305,112
Finance expenses	₱3,553	₱5,893	₱8,691	₱5,080	₱–	₱42,400	₱–	₱–	₱–	₱127,130	₱–	₱192,747
Provision for (benefit from) income tax	₱179,561	₱205,122	₱613,832	₱577,027	(₱8,529)	₱7,618	₱–	₱–	(₱2,854)	₱95,509	₱–	₱1,667,286
Net income (loss) attributable to equity holders of the parent	₱544,067	₱530,239	₱1,088,960	₱975,978	(₱12,152)	(₱48,981)	₱–	₱–	₱–	(₱1,042,968)	₱–	₱2,035,143
Segment assets	₱1,912,697	₱2,151,931	₱9,429,793	₱4,703,869	₱979,448	₱8,781,557	₱671,055	₱–	₱87,074	₱12,775,524	₱–	₱41,492,948
Deferred income tax assets - net	43,811	18,595	40,046	5,311	8,549	–	–	–	–	36,948	–	153,260
Total assets	₱1,956,508	₱2,170,526	₱9,469,839	₱4,709,180	₱987,997	₱8,781,557	₱671,055	₱–	₱87,074	₱12,812,472	₱–	₱41,646,208
Segment liabilities	₱303,119	₱327,646	₱2,170,079	₱829,079	₱43,071	₱7,590,638	₱–	₱–	₱–	₱322,017	₱–	₱11,585,649
Deferred income tax liabilities	–	–	–	294,966	164,262	92,009	–	–	26,122	70,012	–	647,371
Total liabilities	₱303,119	₱327,646	₱2,170,079	₱1,124,045	₱207,333	₱7,682,647	₱–	₱–	₱26,122	₱392,164	₱–	₱12,233,020
Capital expenditures	₱370,940	₱155,302	₱1,013,364	₱202,918	₱12,378	₱1,692,791	₱–	₱–	₱–	₱460,959	₱–	₱3,908,652
Depreciation, amortization and depletion	₱224,263	₱112,660	₱565,772	₱466,697	₱638	₱1,716	₱–	₱–	₱9,513	₱58,728	₱–	₱1,439,987

	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 34)	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	₱485,513	₱–	₱956,462
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	₱–	₱–	₱137,861	₱–	₱164,771
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	–	–	–	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 34)	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	₱290,095	₱–	₱624,477
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	₱103,693	₱–	₱128,640
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	–	–	–	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

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	**2015**	2014	2013
China	**₱8,629,266**	₱15,564,609	₱7,376,742
Japan	**3,292,681**	5,000,487	1,462,481
Australia	**270,994**	198,579	–
Local	**3,238,705**	3,982,029	2,270,306
	₱15,431,646	₱24,745,704	₱11,109,529

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

Revenue from two key customers for the sale of ores amounted to ₱5,569.5 million, ₱11,756.9 million and ₱5,257.2 million in 2015, 2014 and 2013, respectively.

Board of Directors, Officers, Subsidiaries

BOARD OF DIRECTORS

Manuel B. Zamora, Jr. [A]
Chairman

Philip T. Ang
Vice Chairman

Gerard H. Brimo [B]
Frederick Y. Dy [C]
Fulgencio S. Factoran, Jr. [D]
Takanori Fujimura [E]
Takeshi Kubota [F]
Luis J.L. Virata
Martin Antonio G. Zamora

OFFICERS Nickel Asia Corporation

Manuel B. Zamora, Jr.
Chairman

Philip T. Ang
Vice Chairman

Gerard H. Brimo
President & Chief Executive Officer

Jose B. Anievas
Senior Vice President &
Chief Operating Officer

Emmanuel L. Samson
Senior Vice President &
Chief Financial Officer

Raymundo B. Ferrer
Senior Vice President
Security

Martin Antonio G. Zamora
Senior Vice President
Marketing & Strategic Planning

Jose Bayani D. Baylon
Vice President
Corporate Communications

Rolando R. Cruz
Vice President
Operations

Jose Roderick F. Fernando
Vice President
Legal and Special Projects
Assistant Corporate Secretary

Koichi Ishihara
Vice President
Marketing & Procurement

Gerardo Ignacio B. Ongkingko
Vice President
Human Resources

Augusto C. Villaluna
Vice President
Operations

Ma. Angela G. Villamor
Vice President
Internal Auditor

Marnelle A. Jalandoon
Assistance Vice President
MIS & Administration

Barbara Anne C. Migallos
Corporate Secretary

Rio Tuba Nickel Mining Corporation

Norberto R. Reyes
Vice President
Finance

Philipp D. Ines
Resident Mine Manager

Taganito Mining Corporation

Michio Iwai
Vice President

Lennie A. Terre
Vice President
Finance & Administration

Aloysius C. Diaz
Assistant Vice President
Resident Mine Manager

Cagdianao Mining Corporation

Patrick S. Garcia
Assistant Vice President
Finance

Desiderio A. Fuerte, Jr.
Resident Mine Manager

Geogen Corporation

Patrick S. Garcia
Assistant Vice President
Finance

Joel G. Laporga [1]
Resident Mine Manager

Hinatuan Mining Corporation

Fernando P. Cruz
Assistant Vice President
Finance & Administration

Arnilo C. Milaor [1]
Resident Mine Manager

[A] Chairman, Nomination and Compensation Committees
[B] Member, Audit, Risk and Compensation Committees
[C] Independent Director. Chairman, Audit and Risk Committees; Member, Compensation Committee
[D] Independent Director. Member, Nomination Committee
[E] Member, Audit and Risk Committee
[F] Member, Nomination Committee

[1] Effective 01 October 2015

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Mine Sites

Rio Tuba Mine
Barangay Rio Tuba, Bataraza, Palawan

Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

Geogen
Dimaluade, Dinapigue, Isabela

Corporate Website

http://www.nickelasia.com

Independent Public Accountant

Sycip Gorres Velayo & Co.

Bankers

Banco de Oro
Bank of the Philippine Islands
BNP Paribas
Credit Suisse AG
DBS Private Bank
Hongkong and Shanghai Banking Corporation
Maybank Philippines, Inc.
Metropolitan Bank & Trust Co.
Rizal Commercial Banking Corporation
Security Bank Corporation
Union Bank of the Philippines

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