

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

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

(B) Preparation of Report

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

(C) Signature and Filing of the Report

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

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

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	FIVE (5)
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Actual number of Directors for the year	NINE (9)
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Manuel B. Zamora, Jr.	ED	N/A	N/A	11 July 2008	08 June 2012	Annual	5
Philip T. Ang	ED	N/A	N/A	11 July 2008	08 June 2012	Annual	5
Luis J. Virata	NED	N/A	N/A	11 July 2008	08 June 2012	Annual	5
Gerard H. Brimo	ED	N/A	N/A	01 August 2009	08 June 2012	Annual	3
Ronaldo B. Zamora	NED	Manta Resources	N/A	20 September 2010	08 June 2012	Annual	2
Takanori Fujimura	NED	SMMPH	N/A	20 September 2010	08 June 2012	Annual	2
Takeshi Kubota	NED	SMMPH	N/A	20 September 2010	08 June 2012	Annual	2
Fulgencio S. Factoran, Jr.	ID	N/A	Philip T. Ang	20 September 2010	08 June 2012	Annual	2
Frederick Y. Dy	ID	N/A	Manuel B. Zamora, Jr.	24 September 2010	08 June 2012	Annual	2

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

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

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

The Company has substantially complied with its Manual of Corporate Governance and there has been no

¹ Reckoned from the election immediately following January 2, 2012.

deviation from the same.

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

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

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

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

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

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

The Audit Committee is comprised of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Messrs. Gerard H. Brimo and Takanori Fujimura as members. The Audit Committee reports to the Board and is required to meet at least once every three months.

The BOD, upon the recommendation of the Audit Committee, appointed the Company's Internal Auditor, who assumed office last 01 April 2011. The Internal Auditor shall report directly to the Audit Committee and shall be primarily tasked with monitoring the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

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

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

Corporate Secretary—Ms. Barbara Anne C. Migallos is the incumbent and duly qualified Corporate Secretary of the Company. She is currently fulfilling the duties and responsibilities of her office, ensuring that all Board procedures, rules and regulations are strictly followed.

Compliance Officer—Mr. Jose Roderick F. Fernando, aside from being designated as the Assistant Corporate

Secretary of the Company, has likewise been appointed by the Board as the Compliance Officer, designated to monitor compliance by the Company with the Manual and the rules and regulations of regulatory agencies.

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

There is no fixed date for the review of the vision and mission.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Manuel B. Zamora, Jr.	<ul style="list-style-type: none"> • Cordillera Exploration Company Inc. • Taganito Mining Corporation • Rio Tuba Nickel Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation 	<ul style="list-style-type: none"> • Chairman • Chairman • Chairman • Non-executive • Non-executive • Non-executive • Non-executive
Philip T. Ang	<ul style="list-style-type: none"> • Cordillera Exploration Company Inc. • Taganito Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation 	<ul style="list-style-type: none"> • Non-executive • Executive • Non-executive • Chairman • Executive • Non-executive
Gerard H. Brimo	<ul style="list-style-type: none"> • Taganito Mining Corporation • Cordillera Exploration Company Inc. • Rio Tuba Nickel Mining Corporation • Cagdianao Mining Corporation • Hinatuan Mining Corporation • La Costa Shipping and Lighterage Corporation • Samar Nickel Mining Resources Corporation 	<ul style="list-style-type: none"> • Executive • Executive • Executive • Executive • Executive • Executive • Chairman
Ronaldo B. Zamora	<ul style="list-style-type: none"> • Cordillera Exploration Company, Inc. • Rio Tuba Nickel Mining 	<ul style="list-style-type: none"> • Non-executive • Non-executive

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

	Corporation	
	• Cagdianao Mining Corporation	• Chairman
Fulgencio S. Factoran, Jr.	• Cordillera Exploration Company Inc.	• Non-executive
Takanori Fujimura	• Cordillera Exploration Company Inc.	• Non-executive
Luis J. Virata	• Rio Tuba Nickel Mining Corporation	• Non-executive

(ii) Directorship in Other Listed Companies

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

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

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Ronaldo B. Zamora	Manuel B. Zamora	brother

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

No. The Company has not set any limit on the number of board seats in other companies that its directors may hold.

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel B. Zamora, Jr.	67,884	516,106,971/ through Mantra Resources Corporation	25.63%
Gerard H. Brimo	2,782,500		0.13%
Ronaldo B. Zamora	225		0%
Philip T. Ang	78,387	271,128,369/ through Ni Capital	13.47%
Luis J. Virata	264,572,338*		13.14%

Fulgencio S. Factoran, Jr.	225		0%
Frederick Dy	225		0%
Takanori Fujimura	300		0%
Takeshi Kubota	300		0%
TOTAL	267,502,384	782,235,340	52.37%

*Transfer from the individual shareholder to Nonillion Holding Corporation is covered by a Deed of Assignment and pending issuance of Certificate Authorizing Registration from BIR

2) Chairman and CEO

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

Yes No

Identify the Chair and CEO:

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

- (b) Roles, Accountabilities and Deliverables

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

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

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

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

The company has no existing plan for the succession of the CEO/Managing Director/President and the top key management positions

- 4) Other Executive, Non-Executive and Independent Directors

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

The company's Manual on Corporate Governance provides for qualifications of directors which are the following:

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

The abovementioned qualifications give room for the shareholders to freely choose/nominate directors coming

from diverse professional backgrounds.

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

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

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

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

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

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

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

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

None. The term of the company's independent directors is the same as that of the other directors of the company which is one (1) year as provided in the company's Articles of Incorporation.

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

(a) Resignation/Death/Removal

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

There were no changes in the composition of the Board of Directors during 2012.

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

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

The members of the Board of Directors are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nominations Committee and sent to the shareholders through the notice of meeting. A majority vote of the shareholders is required for the election of a director.

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

Any vacancy occurring in the Board other than by removal by the stockholders as abovementioned or by

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

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Manuel B. Zamora, Jr.	7,900,300
Gerard H. Brimo	7,900,300
Ronaldo B. Zamora	4,386,800
Philip T. Ang	7,900,300
Luis L. J. Virata	8,472,100
Takanori Fujimura	4,474,500
Takeshi Kubota	8,339,300
Fulgencio S. Factoran, Jr.	8,472,100
Frederick Dy	8,472,100

6) Orientation and Education Program

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

None.

(b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

None.

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

None.

B. CODE OF BUSINESS CONDUCT & ETHICS

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

The corporation is currently drafting and finalizing its Company Code of Conduct subject to the approval of management.

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

The corporation is currently drafting and finalizing its Company Code of Conduct subject to the approval of management.

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

The corporation is currently drafting and finalizing its Company Code of Conduct subject to the approval of management.

4) Related Party Transactions

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(a) Policies and Procedures

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

The corporation is currently drafting and finalizing its Company Code of Conduct subject to the approval of management.

(b) Conflict of Interest

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

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

- Nickel Ore Sale Agreements with PAMCO

HMC, CMC, and TMC supply saprolite ore to PAMCO under renewable annual agreements. PAMCO is a stockholder of the Company and of 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. PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

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

RTN supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2012, wherein PAMCO appointed Sojitz as agent. PAMCO owns thirty six percent (36%) and Sojitz four percent (4%) of the outstanding shares in the capital stock of RTN.

- Nickel Ore Sale Agreements with SMM

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

- 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.

(ii) Mechanism

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

The corporation is currently drafting and finalizing its Company Code of Conduct subject to the approval of management.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Manuel B. Zamora, Jr. and Ronaldo B. Zamora are brothers. Manuel B. Zamora, Jr., the Chairman of the company, owns more than 5% of the company's equity.

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

None.

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

Taanito HPAL Nickel Corporation (THNC) Stockholder Agreement

On 15 September 2010, NAC together with Sumitomo Metal Mining Philippines (SMMPH) and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC loans obligation in accordance with the financial requirements of THNC in proportion to their existing shareholding ratio. NAC owns 22.5% of THNC's outstanding capital stock.

In a separate agreement date 15 September 2010, SMM, which owns 62.5% of THNC, has agreed to substitute for NAC's obligation to make loans to or guarantee the repayment of THNC loans obligation. In consideration, NAC shall pay SMM an annual guarantee service fee of 1% of the average of the outstanding balance of THNC loans obligation.

Coral Bay Nickel Corporation (CBNC) Stockholder Agreement

On 01 July 2002, Rio Tuba Nickel Mining Corporation (RTN) together with the other stockholders of CBNC agreed to make loans to CBNC or guarantee the repayment of CBNC loans obligation in accordance with the financial requirements of CBNC in proportion to their shareholding ratio. RTN owns 10% of CBNC's outstanding capital stock.

In a separate agreement dated 22 October 2001, SMM, which owns 54% of CBNC, has agreed to substitute for RTN's obligation to make loans to or guarantee the repayment of CBNC loans obligation, In consideration, RTN shall pay SMM an annual guarantee service fee of 1% of the outstanding CBNC loans obligation.

6) Alternative Dispute Resolution

The Company has not adopted an alternative dispute resolution system for settling disputes between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

C. BOARD MEETINGS & ATTENDANCE

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

Meetings of the Board of Directors are scheduled at the beginning of the year and are also held several times throughout the year.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel B. Zamora, Jr.	08 June 2012	5	5	100%
Member	Ronaldo B. Zamora	08 June	5	4	80%

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

		2012			
Member	Gerard H. Brimo	08 June 2012	5	5	100%
Member	Philip T. Ang	08 June 2012	5	5	100%
Member	Luis L. J. Virata	08 June 2012	5	3	60%
Member	Philip T. Ang	08 June 2012	5	5	100%
Member	Takanori Fujimura	08 June 2012	5	5	100%
Member	Takeshi Kubora	08 June 2012	5	5	100%
Independent	Fulgencio S. Factoran, Jr.	08 June 2012	5	5	100%
Independent	Frederick Y. Dy	08 June 2012	5	5	100%

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

None.

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

No. A majority of the Board of Directors may decide as provided in the corporation's By-laws.

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

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

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

Yes.

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

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

- (1) Record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;
- (2) Keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporations subscribed, issued, and transferred;
- (3) Keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;
- (4) Attend to the giving and serving of all notices of the corporation required by law or the company's by-

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

laws;

- (5) Certify to such corporate acts, countersign corporate documents or certificates, and make reports of statements as may be required of him by law or by government rules and regulations;
 - (6) Act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election or vote;
 - (7) Perform such other duties as are incident to his/her office or as may be assigned to him/her by the Board of Directors or the President.
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

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

There is no existing procedure through which the directors can receive external advice.

7) Change/s in existing policies

No changes were introduced by the Board of Directors on existing policies affecting the business of the company.

D. REMUNERATION MATTERS

1) Remuneration Process

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

The Board determines the remuneration of the CEO and of the officers of Management.

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

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

Executive Directors are given salaries by the company as its employees while the Non-executive Directors are

given per diems based on their attendance of the meetings.

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

No.

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php/14,518,407.00		
(b) Variable Remuneration		Php/10,000.00 per meeting	Php/10,000.00 per meeting
(c) Per diem Allowance			
(d) Bonuses	Php/6,694,357.00		
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
Total	Php/21,212,764.00	Php/10,000.00 per meeting	Php/10,000.00 per meeting

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium	Php/18,000.00		
(f) Hospitalization Plan	Php/40,980.00		
(g) Car Plan			
(h) Others (Specify)			
Total	Php/58,980.00		

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/	Number of Equivalent Shares	Total % from Capital Stock

		Warrants		
Manuel B. Zamora, Jr.	1,086,137		1,086,137	0%
Philip T. Ang	313,548		313,548	0%
Gerard H. Brimo	2,129,600		2,129,600	0%
Ronaldo B. Zamora	346,667		346,667	0%

(b) Amendments of Incentive Programs

No amendment to any incentive program was introduced.

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Emmanuel L. Samson/CFO/SVP-Finance	Php/28,920,151.00
Martin Antonio G. Zamora/SVP-Marketing & Strategic Planning	
Jose S. Saret/COO/SVP-Operations	
Jose Roderick F. Fernando/VP-Legal & Human Resources	
Rolando R. Cruz/VP-Operations	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)	
Audit	1	1	1	22 November 2010
Nomination	1	1	1	22 November 2010

As provided in the company's Manual on Corporate Governance, the following are the duties of the Audit Committee:

(a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.

(b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company.

(c) Coordinate, monitor, and facilitate compliance with laws, rules and regulations.

(d) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses.

(e) Establish and identify the reporting line of the internal auditor to enable him/her to properly fulfill his/her duties and responsibilities.

The duties of the Nominations Committee, on the other hand, are the following:

(a) Review and evaluate the qualifications of all persons nominated to be a director of the Company and of all nominees to other positions in the Company requiring appointment by the Board.

(b) Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

2) Committee Members

(a) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Frederick Dy	22 November 2010	4	4	100%	2 years
Member (ED)	Gerard . H. Brimo	22 November 2010	4	4	100%	2 years
Member (NED)	Takanori Fujimura	22 November 2010	4	4	100%	2 years

Disclose the profile or qualifications of the Audit Committee members.

The following are the members of the Audit Committee:

Frederick Y. Dy (58 years old, Filipino), the Chairman of the Audit Committee, is an independent director of the Company since September 24, 2010. Mr. Dy is also the Chairman and a director of Security Bank Corporation, Chairman of City Industrial Corporation, Chairman of St. Luke's Medical Center and a director of Ponderosa Leather Goods Company, Inc.

Takanori Fujimura (69 years old, Japanese) is a director of the Company. Mr. Fujimura joined the Company in 2009 and he is also the President of Coral Bay Nickel Corporation.

Gerard H. Brimo (62 years old, Filipino) is a director and the President and Chief Executive Officer of the Company and the President of RTN, TMC, Cagdianao Mining Corp. (CMC) and Hinatuan Mining Corp. (HMC). Mr. Brimo joined the Company in 2008 and is also the President of two privately owned exploration companies, Newminco Nickel Mining Corp. and Newminco Pacific Mining Corp. Mr. Brimo began his mining career with Philex Mining Corp. as a Vice President in 1985 and served as Chairman and Chief Executive Officer of Philex Mining from 1994 until his retirement from the company in December 2003. He was President of the Chamber of Mines of the Philippines from 1993 to 1995 and Chairman from 1995 to 2003.

The Audit Committee is responsible in overseeing the external auditor of the Company. It assists the Board in its fiduciary responsibilities by providing an independent and objective assurance to the company's management and shareholders of the continuous improvement of the company's risk management systems, business operations, and the proper safeguarding and use of the company's resources and assets. The Audit Committee provides a general evaluation and assistance in the overall improvement of the company's risk management, control and governance processes.

(b) Nomination Committee

Office	Name	Date of	No. of	No. of	%	Length of
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		Appointment	Meetings Held	Meetings Attended		Service in the Committee
Chairman	Manuel B. Zamora, Jr.	22 November 2010	1	1	100%	2 years
Member (NED)	Takeshi Kubota	22 November 2010	1	1	100%	2 years
Member (ID)	Fulgencio S. Factoran, Jr.	22 November 2010	1	1	100%	2 years

3) Changes in Committee Members

No changes in the membership of the company's committees occurred during the year.

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Audit	Approval of the Quarterly FS and the Annual FS	No significant issues.
Nomination	Screening of nominees for Independent Directorship.	No significant issues.

5) Committee Program

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

The Committees are currently formulating plans for the current year.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

The Group adopts a risk philosophy aimed at enhancing shareholder value by sustaining competitive advantage, optimizing risk management cost, and enabling the Group to pursue strategic growth opportunities with greater speed, skills and confidence than its competitors. To put the philosophy into action, the Group implemented an 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. Furthermore, the risk management processes facilitate alignment of the Group's strategy and annual operating plan with the management of key risks. Risk assessment and mitigation strategy is an integral part of the Group's annual business planning and budgeting process. The key risk management activities include scenario planning, business continuity/disaster recovery management and crisis planning and management. Close monitoring and control processes, including the establishment of appropriate key risk indicators and key performance indicators, are put in place to ensure that risk profiles are managed within policy limits. The Group has in place a formal programme of risk and control self-assessment whereby line personnel are involved in the ongoing assessment and improvement of risk management and controls. Independent specialist consultants will, if needed, be engaged from time to time to review the Group's risk management framework and processes.

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

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

2) Risk Policy

(a) Company

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

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

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

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

		operates.
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(b) Group

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

The company is currently formulating its risk management policy.

(c) Minority Shareholders

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

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

3) Control System Set Up

(a) Company

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

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

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

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Strategic: Market condition, forex and LME prices	Regular updates of market data especially on buyer's requirement; obtain forecasts of forex and LME prices	<ul style="list-style-type: none"> • Preparing alternative mining plans • Revising budgets (forecasts) • Managing forex position • Implementing sensitivity analysis
Operational: Lack of available manpower specifically skilled drivers and operators that could result in not meeting production targets	<p>Close coordination between Mines Group and HR with regards to manpower hiring requirements.</p> <p>Monitoring of production accomplishment by comparing actual against budget as well tons per manshift; the resulting data helps determine the adequacy/inadequacy of available manpower</p>	<ul style="list-style-type: none"> • Scouting potential applicants from other companies / contractors that has slowed down or ceased operation. • In-house training of qualified samplers/spotters to become drivers and operators. • Regularization of qualified seasonal employees • Offering competitive compensation
Operational: Unavailable mining equipment resulting	Daily Monitoring of equipment breakdowns, job orders, and completed repairs.	<ul style="list-style-type: none"> • Continuous training and re-training of drivers and operators on proper use and handling of equipment to

to decreased production	A minimum of 80% physical availability for all production equipment must be maintained.	<p>reduce equipment breakdown</p> <ul style="list-style-type: none"> • Implementing Work order for mechanical and strict monitoring of night shift productivity • Conducting regular PMS • Tapping the expertise of the supplier on proper maintenance and servicing of equipment • Construction of an improved mechanical shop • Monitoring consumption and stocking level of repair parts for both warehouse and consignment to ensure repair parts availability, for prompt repairs • Reducing delivery lead time for non-consigned repair parts by using emergency purchase and close coordination with Surigao purchasing for local purchases
Operational: Accidents resulting to injury or death, equipment damage, and production loss	Safety section monitors and records all accidents / incidents and evaluates severity and frequency rate based on total manhours worked.	<ul style="list-style-type: none"> • Continuous training based on the identified training needs by departments and sections • Close supervision and monitoring - Supervisors as well as safety inspectors constantly monitors all activities to ensure strict adherence to SOP. • Providing complete PPEs • Implementing disciplinary action strictly and promptly.
Financial: Delay in completion of construction of conveyor belt	A dedicated group was tasked to closely monitor the progress of the construction as the delay in the construction will mean loss opportunity to the Company	<ul style="list-style-type: none"> • Closely coordinating with Purchasing and Contractors on the supply of materials • Scheduling of payments to ensure adequacy of funds to finance the purchases • Completing documents required for government approval • Regular progress report is prepared and threshed out • Contingency plan in place in case of delay
Compliance: Suspension of operation due to non-compliance to DENR guidelines and standards pertaining to water quality	<p>Daily monitoring of water and air quality to ensure compliance.</p> <p>Water pH and TSS (Total suspended solids) are monitored daily at established stations (settling ponds and Taganito river)</p>	<ul style="list-style-type: none"> • Constructing additional silt pond • Assigning equipment dedicated for the maintenance of catch drainage, desilting of silt ponds and riverbed. • Implementing of PONA (Permit to Operate New Area) • Implementing a Comprehensive Mine drainage plan which impounds only the silted runoff; re-route natural stream flow. • Progressive mine rehabilitation. • Covering of bare slopes with coconet. • Covering of stockpiles.

		<ul style="list-style-type: none"> • Concreting of the shipment road • Surfacing of the lateritic active roads with crushed rocks
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(b) Group

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

The company is currently formulating its risk management policy.

(c) Committee

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

The company is currently formulating its risk management policy.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

- (a) Explain how the internal control system is defined for the company;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

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

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

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

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

- a. Control environment which sets the tone of the Group and is the foundation for all other components of internal control, providing discipline and structure.
- b. Risk assessment which is integrated and exists at all levels in the organization.

- c. Control activities consisting of policies and procedures that help ensure management directives are carried out and that necessary actions are taken to address risks to achievement of the Group's objectives. Similar to risk assessment, control activities occur throughout the Group, at all levels and in all functions.
- d. Information and communication to ensure that pertinent information are identified, captured and communicated that enables people to carry out their responsibilities and to run and control the business. Information includes external events, activities and conditions necessary to informed business decision making and external reporting, Communication includes external activities e.g. investors, public and regulators.
- e. Monitoring the process to assess the quality of the internal control system over time. This is accomplished through ongoing monitoring activities and separate evaluations or a combination of both. Internal control deficiencies are reported upstream, with serious matters reported to top management and the board.

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<ul style="list-style-type: none"> • Provide independent and objective assurance and consulting activity designed to add value and improve the operations of the Group • assist the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of its risk management, control, and governance processes. 	<p>Scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:</p> <ul style="list-style-type: none"> • Reviewing the reliability and integrity of financial and 	In-house	Ma. Angela Villamor	written report will be prepared and issued by the Internal Auditor following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report and a summarization will be forwarded to the Chief Executive Officer and the Chairman of the Audit Committee.

	<p>operating information and the means used to identify, measure, classify, and report such information;</p> <ul style="list-style-type: none">• Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance;• Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;• Reviewing and appraising the economy and efficiency with which resources are employed;• Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;• Reviewing specific operations at the request of the Audit Committee or management, as appropriate;			
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	and			
	<ul style="list-style-type: none"> Monitoring and evaluating the effectiveness of the organization's risk management system. 			

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

Yes.

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

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

- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
None	N/A

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

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

Progress Against Plans	Internal audit work is on schedule and aligned to plan approved by the Audit Committee
Issues ⁶	None
Findings ⁷	No significant findings noted
Examination Trends	Audit is risk-based. Risks are prioritized in terms of significance and likelihood. Risk assessment is an ongoing activity.

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

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Internal audit charter	Approved by the Audit Committee in 2011
Professional development	Continuing attendance in seminars and training programs
Office security	Implemented
Risk assessment	Implemented
Annual work plan	Implemented
Audit documentation, reporting, and communication	Implemented
Quality assurance and improvement	None as internal audit was established only in 2011

(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Internal auditor report functionally to the Audit Committee and administratively to the Chief Executive Officer. All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.</p> <p>5 year rotation of partner-in-charge of the external audit.</p> <p>Audit committee</p>			

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

Chairman of the Board – Manuel B. Zamora, Jr.

CEO – Gerard H. Brimo

Independent Directors – Frederick Y. Dy and Fulgencio S. Factoran, Jr.

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

H. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Mantra Resources Corporation	516,106,971	25.63%	N/A
PCD Nominee Corporation (Filipino)	276,577,197	19.17%	N/A
Sumitomo Metal Mining Philippines Holdings Corporation	508,618,014	25.26%	N/A
Luis J. L. Virata	264,572,338	13.16%	Nonillion Holding Corporation
Ni Capital Corporation	271,128,369	13.47%	N/A
PCD Nominee Corporation (Non-Filipino)	85,186,361	6.36%	N/A

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Luis J.L. Virata		264,572,338/through Nonillion Holding Corporation*	13.16%
Manuel B. Zamora, Jr.	67,884	516,106,971/through Mantra Resources Corporation	25.63%
Philip T. Ang	78,387	271,128,369/through Ni Capital Corporation	13.14%
TOTAL	146,271	1,051,807,678	51.93%

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

2) Does the Annual Report disclose the following:

Key risks	Yes
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Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	No
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	No
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip Gorres & Velayo Co.	Php/9,809,000.00	Php/1,779,000.00

4) Medium of Communication

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

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

5) Date of release of audited financial report:

05 April 2013

6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	No
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	No
Company's constitution (company's by-laws, memorandum and articles of association)	No

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

7) Disclosure of RPT

- Nickel Ore Sale Agreements with PAMCO

HMC, CMC, and TMC supply saprolite ore to PAMCO under renewable annual agreements. PAMCO is a stockholder of the Company and of 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. PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

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

RTN supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2012, wherein PAMCO appointed Sojitz as agent. PAMCO owns thirty six percent (36%) and Sojitz four percent (4%) of the outstanding shares in the capital stock of RTN.

- Nickel Ore Sale Agreements with SMM

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

- 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.

I. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	Majority of the Outstanding Capital Stock
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

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

(c) Stockholders' Rights

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

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

Dividends

Type of Dividend	Declaration Date	Record Date	Payment Date
------------------	------------------	-------------	--------------

Cash	28 March 2012	16 April 2012	11 May 2012
Stock	08 June 2012	29 August 2012	24 September 2012

(d) Stockholders' Participation

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

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

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

The corporation follows the provisions of the Corporation Code on the voting requirement for the approval by the shareholders of the abovementioned corporate acts.

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

- a. Date of sending out notices: Not later than 14 May 2012
- b. Date of the Annual/Special Stockholders' Meeting: 08 June 2012

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

There were no questions propounded during the Annual Stockholders' Meeting

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Reading of Minutes of Previous Meeting	7,900,300	0	585,300
Approval of the Annual Report and Audited Financial Statement	7,684,700	0	800,900
Amendment of Article 7 of the Articles of Incorporation	3,380,700	0	0
Declaration of 50% Stock Dividends	3,380,700	0	0
Ratification of the acts of the Board of Directors	3,380,700	0	0
Appointment of Independent Directors	3,380,700	0	0

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

08 June 2012

(e) Modifications

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

No modification has been made in the Annual/Special Stockholders' Meeting regulations during the most recent year.

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<ul style="list-style-type: none"> •Manuel B. Zamora, Jr. •Philip T. Ang •Gerard H. Brimo •Ronaldo B. Zamora •Luis L. J. Virata •Takanori Fujimura •Takeshi Kubota •Frederick Y. Dy •Fulgencio S. Factoran 	08 June 2012	By poll	24.74%	50.07%	74.82%

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

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

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

Yes, the company's common shares carry one vote per share.

(g) Proxy Voting Policies

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

As provided under the corporation's By-laws, a shareholder may vote by proxy which shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the shareholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

(h) Sending of Notices

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

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

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

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	31
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	Not later than 14 May 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	Not later than 14 May 2012
State whether CD format or hard copies were distributed	Hard copies were distributed.
If yes, indicate whether requesting stockholders were provided hard copies	Yes, requesting stockholders were provided hardcopies.

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

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

2) Treatment of Minority Stockholders

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

None.

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

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

J. INVESTORS RELATIONS PROGRAM

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

There's no written policy regarding external and internal communications. External communications are reviewed by the VP-Corporate Communications and the President/CEO. There's no committee responsible for these communications.

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

	Details
(1) Objectives	The company has not adopted any written program or policy.
(2) Principles	The company has not adopted any written program or policy.
(3) Modes of Communications	Company disclosures are submitted to the public through the PSE. Contact details like telephone numbers and email address are provided to accommodate inquiries from investors/stakeholders.
(4) Investors Relations Officer	Emmanuel L. Samson / Jorelle O. Tuvillo

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? There are no written rules and procedures about this, and even the Articles of Incorporation and the By-Laws is silent about this.

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

The independent directors in the Company's Board of Directors are Mr. Frederick Y. Dy and Mr. Fulgencio S. Factoran Jr.

K. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

The company is currently supporting the "I Am PGH" Fund Drive spearheaded by the PGH Foundation for the benefit of the patients of the Philippine General Hospital.

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

L. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

The company is in the process of drafting its Company Code of Conduct which shall cover the assessment of the annual performance of the the board and its committees, individual director, and the CEO/President.

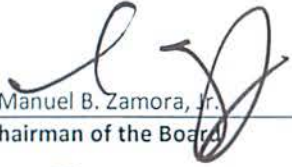
M. INTERNAL BREACHES AND SANCTIONS

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


The company is in the process of drafting its Company Code of Conduct which shall cover violations or breaches of its Manual on Corporate Governance.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on _____, 20__.

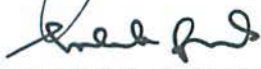
SIGNATURES


 Manuel B. Zamora, Jr.
 Chairman of the Board


 Gerard H. Brimo
 Chief Executive Officer


 Fulgencio S. Factoran, Jr.
 Independent Director


 Frederick W. Dy
 Independent Director


 Jose Roderick F. Fernando
 Compliance Officer

SUBSCRIBED AND SWORN to before me this day of JUL 01 2013 2013, affiants exhibiting to me their respective government issued proofs of identity, as follows:

NAME	PROOF OF IDENTIFICATION	DATE OF ISSUE/PLACE OF ISSUE
Manuel B. Zamora Jr.	TIN 135-838-324	
Gerard H. Brimo	TIN 102-377-265	
Fulgencio S. Factoran Jr.	TIN 114-132-939	
Frederick W. Dy	TIN 108-714-423	
Jose Roderick F. Fernando	TIN 210-182-448	

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GEORGE RAMIL C. RAMOS
 Appointment No. M-448
 Notary Public for Makati City
 Until December 31, 2013
 Roll No. 59691
 MCLE Compliance Certificate No. IV-0017921 /
 23 April 2013 / Pasig City
 PTR No. 3693412/01-22-13/Makati
 IBP No. 926686/01-18-13/Cavite
 6th Floor NAC Centre 143
 Dela Rosa St., Cor. Adelantado Sts.
 Legaspi Village, Makati City