COVER SHEET

CS200811530

S.E.C. Registration Number

NICKEL ASIA CORPORATION

(Company's Full Name)

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

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

Atty. Barbara Anne C. Migallos	899-2123
Contact Person	Telephone Number of the Contact Person

1 2 / 3 1	SEC 20-IS Preliminary Information Statement (Special Stockholders' Meeting)	First Friday of June
Month Day Fiscal Year	FORM TYPE	Month Day Annual Meeting

N/A

Secondary license Type, If Applicable

CFD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
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NICKEL ASIA CORPORATION

Notice of Special Meeting of Stockholders

TO OUR STOCKHOLDERS:

Please be informed that there will be a **Special Meeting of the Stockholders** of **NICKEL ASIA CORPORATION** on **18 December 2014** at **3:00 p.m.** at the **SMX Convention Center, SM Aura Premier, McKinley Parkway, Taguig, Metro Manila** (the "Special Stockholders' Meeting"). The order of business thereat will be as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Declaration of fifty percent (50%) stock dividend
5. Other matters
6. Adjournment

A brief explanation of the items on the Agenda, the resolutions to be adopted and the rationale therefor are in Annex "A" of this Notice.

Stockholders of record at the close of business on **24 November 2014** are entitled to notice of and to vote at the special meeting. Please bring some form of identification, such as passport, driver's license, or company I.D. in order to facilitate registration, which will start at 1:30 p.m.

We are not soliciting your proxy. However, should you be unable to attend the meeting personally but would like to be represented thereat, you may accomplish the attached proxy and submit the same to the Office of the Corporate Secretary on or before 11 December 2014, which is the deadline for submission of proxies. Proxy validation will be on 15 December 2014 at the 28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

BARBARA ANNE C. MIGALLOS
Corporate Secretary

ANNEX "A"

ANNEX TO NOTICE OF SPECIAL STOCKHOLDERS' MEETING OF NICKEL ASIA CORPORATION

AGENDA
18 December 2014 Special Stockholders' Meeting

1. **Call to Order**
   The Chairman will formally open the Special Stockholders' Meeting. The Directors and Officers of the Company will be introduced.

2. **Proof of required notice of the meeting**
   The Corporate Secretary will certify that copies of this Notice and the Information Statement have been duly sent to stockholders of record as of 24 November 2014.

3. **Certification of quorum**
   The Corporate Secretary will attest to the attendance at the meeting and whether a quorum is present. Unless otherwise provided in the Corporation Code, a quorum shall consist of stockholders representing a majority of the outstanding capital stock of the corporation For the Special Stockholders' Meeting, Item 4 of the Agenda will require the affirmative vote of shareholders holding at least 2/3 of the outstanding capital stock.

4. **Declaration of fifty percent (50%) stock dividend**
   On 10 November 2014, the Board of Directors approved the declaration of a fifty per cent (50%) stock dividend. The approval of stockholders owning at least 2/3 of the outstanding capital stock will be sought at the Special Stockholders' Meeting. The fifty per cent (50%) stock dividend will consist of 1,263,999,620 common shares which will be paid to holders of common shares as of record date in proportion to their holdings. In view of the stock dividend declaration, there will be an adjustment to the number of shares reserved for the Company's stock option plans (please see Warrants and Options Outstanding at pages 7 to 8 of the Information Statement attached to this Notice). Information about the stock dividend is contained in pages 8 to 9 of the Information Statement. The resolution to be adopted will be the approval of the stock dividend, with the corresponding adjustment to the number of shares reserved for the stock option plans and the concomitant waiver of pre-emptive rights with respect to the additional shares that will be reserved for the stock option plans.

   Shareholders will have an opportunity to ask questions or seek clarification during the **OPEN FORUM**. A shareholder, upon identifying himself or herself, may raise questions that are relevant or express an appropriate comment.

5. **Other Matters**
   Matters that are relevant to and appropriate for the special stockholders' meeting may be taken up.

6. **Adjournment**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **NICKEL ASIA CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

4. SEC Identification Number: **CS200811530**

5. BIR Tax Identification Code: **007-085-191-000**

6. **28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila** — **1634**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code: **+63 2 7987 622**

8. Date, time and place of the meeting of security holders:

   Date : **Thursday, 18 December 2014**
   Time : **3:00 p.m.**
   Place : **SMX Convention Center**
   SM Aura Premier
   McKinley Parkway, Taguig, Metro Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **in no case later than 27 November 2014**

10. In case of Proxy Solicitations: **NOT APPLICABLE**

    Name of Person Filing the Statement/Solicitator:
    Address and Telephone Number:

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Common Stock Issued	**2,527,999,241**
Preferred Stock Issued	**720,000,000**
Long-term Debt	**Php 1,475.8 Million**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes __x__ No _______

    If so, disclose the name of Exchange: **The Philippine Stock Exchange, Inc.**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Special Meeting of the Stockholders of Nickel Asia Corporation, a corporation organized and existing under the laws of the Philippines with address at the 28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila will be held on **Thursday, 18 December 2014** at **3:00 p.m.** at the **SMX Convention Center, SM Aura Premier, McKinley Parkway, Taguig, Metro Manila** (the "Special Stockholders' Meeting" or "Meeting"). The Agenda of the Meeting, as indicated in the accompanying Notice of Special Meeting of Stockholders, is as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Declaration of fifty percent (50%) stock dividend
5. Other matters
6. Adjournment

There will be an **open forum** before the approval of the declaration of fifty percent (50%) stock dividend and corresponding adjustment to the shares for the Company's stock option plans (please see Warrants and Options Outstanding at pages 7 to 8 of this Information Statement) are submitted to the vote of the shareholders. Questions will likewise be entertained for other items in the agenda as appropriate and consistent with orderly proceedings.

The Management Report, the Audited Financial Statements for the year ended 31 December 2013, and the Quarterly Report as of 30 September 2014 are attached to this Information Statement. The Annual Report under Securities Exchange Commission ("SEC") Form 17-A and the Quarterly Report under SEC Form 17-Q was made available on the Company's website. Upon written request of a shareholder, the Company shall furnish such shareholder with a copy of the said Annual Report on SEC Form 17-A, as filed with the SEC, free of charge. The contact details for obtaining such copy are on Page 11 of this Information Statement.

Shareholders who cannot attend the Meeting may accomplish the attached Proxy Form. Please indicate your vote (Yes, No, Abstain) for the item in the attached form, and submit the same on or before 11 December 2014 to the Office of the Corporate Secretary at the Company's principal office at the 28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

Proxies will be validated on 15 December 2014 at the Company's principal office, and will be tabulated by the Company's stock transfer agent, Stock Transfer Service Inc. ("STSI"). Proxies will be voted in accordance with applicable rules.

Voting procedures are contained in Item 19 (page 10) of this Information Statement and will be stated at the start of the Meeting.

Further information and explanation regarding specific agenda items, where appropriate, are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

This Information Statement and Proxy Form shall be sent to security holders in no case later than 27 November 2014, after the approval of the Definitive Information Statement by the SEC.

WE ARE NOT SOLICITING PROXIES, BUT SHAREHOLDERS ARE INVITED TO SEND THEIR PROXIES IF THEY CANNOT ATTEND SO THAT THEIR VOTE MAY BE COUNTED.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action to be taken during the Meeting on 18 December 2014 that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in the Corporation Code of the Philippines:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code (Section 81);

3. In case of merger or consolidation (Section 81); and

4. In case of investments in another corporation, business or purpose (Section 42).

The Corporation Code of the Philippines (at Section 82) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than the approval of the fifty percent (50%) stock dividend and the concomitant adjustment to the Company's stock option plans (please see Warrants and Options Outstanding at pages 7 to 8 of this Information Statement) which shall benefit directors and officers who are stockholders or grantees of stock options.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 31 October 2014, there are **2,527,999,241** outstanding and issued common shares of the Company, out of which **763,666,092** (**30.21%**) are owned by non-Filipinos, and 720,000,000 outstanding preferred shares, all of which are owned by a Filipino company. Each share of stock is entitled to one vote.

All stockholders of record as of **24 November 2014** are entitled to notice and to vote at the Special Stockholders' Meeting.

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy.

Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than five percent (5%) of the Company's stock as of 31 October 2014:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
Common	PCD Nominee Corporation (See Note 1)	(See Note 1)	Filipino	1,755,663,136	69.45%
Common	Sumitomo Metal Mining Philippine Holdings Corporation (See Note 2) 24F Pacific Star Building Makati Avenue Makati City	Sumitomo Metal Mining Philippine Holdings Corporation (Direct)	Japanese	481,552,642	19.05%
Common	PCD Nominee Corporation (See Note 3)	(See Note 1)	Non-Filipino	277,908,529	10.99%

Preferred	Nickel Asia Holdings, Inc. (Stockholder) (See Note 4) 28/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines	Nickel Asia Holdings, Inc. (See Note 4)	Filipino	720,000,000	100%

(1) PCD Nominee Corporation ("PCD"), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD's participants who hold the shares on their own behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The 69.45% registered under PCD Nominee Corporation includes 645,333,513 shares (25.5274%) of Mantra Resources Corporation (Manuel B. Zamora), 338,910,461 shares (13.4063%) of Ni Capital Corporation (Philip T. Ang) and 323,613,047 shares of Luis J. L. Virata.

(2) Sumitomo Metal Mining Philippine Holdings Corporation is represented by Mr. Takanori Fujimura and Mr. Takeshi Kubota on the Company's Board of Directors.

(3) There are no participants under the PCD Nominee Corporation (Non-Filipino) account owning more than 5% of the voting securities.

(4) The majority stockholders of Nickel Asia Holdings, Inc. are Mr. Manuel B. Zamora, Jr., Mr. Philip T. Ang, Mr. Luis J.L. Virata and Sumitomo Metal Mining Co., Ltd.

Proxies of the foregoing record owners for the Special Stockholders' Meeting on 18 December 2014 have not yet been submitted. The deadline set by the Board of Directors for submission of proxies is on **December 11, 2014.**

Security Ownership of Management

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Class
Common	Manuel B. Zamora Jr.	1,484,953 (Direct) 645,413,022 (Indirect) (See Note 1)	Filipino	0.0587% 25.5306%
Common	Philip T. Ang	391,934 (Direct) 338,959,453 (Indirect) (See Note 2)	Filipino	0.0155% 13.4082%
Common	Gerard H. Brimo	4,476,375 (Direct) 173,250 (Indirect)	Filipino	0.1771% 0.0069%
Common	Luis J. L. Virata	323,613,047 (Indirect)	Filipino	12.8012%
Common	Martin Antonio G. Zamora	100 (Direct)	Filipino	0.0000%
Common	Takanori Fujimura	375 (Direct)	Japanese	0.0000%

Common	Takeshi Kubota	375 (Direct)	Japanese	0.0000%
Common	Fulgencio S. Factoran, Jr.	281 (Direct)	Filipino	0.0000%
Common	Frederick Y. Dy	281 (Direct)	Filipino	0.0000%
Common	Jose S. Saret	792,000 (Indirect)	Filipino	0.0313%
Common	Emmanuel L. Samson	300,000 (Indirect)	Filipino	0.0119%
Common	Raymundo B. Ferrer	-	Filipino	-
Common	Rolando R. Cruz	110,000 (Indirect)	Filipino	0.0044%
Common	Jose Roderick F. Fernando	69,600 (Indirect)	Filipino	0.0028%
Common	Koichi Ishihara	-	Filipino	-
Common	Jose D. Baylon	-	Filipino	-
Common	Barbara Anne C. Migallos	-	Filipino	-
Common	Ma. Angela G. Villamor	220,166 (Indirect)	Filipino	0.0001%
Directors and Executive Officers as a Group		1,316,005,239		52.0572%

(1) The indirect shares indicated above are held through Manta Resources Corporation (see also Note 1 under Security Ownership of Certain Record and Beneficial Owners, at page 5).

(2) The indirect shares are held through Ni Capital Corporation (see also Note 1 under Security Ownership of Certain Record and Beneficial Owners, at page 5).

Voting Trust Holders/Changes in Control

There are no voting trust holders of 5% or more of the Company's stock. There are no arrangements that may result in a change of control of the Company.

Item 6. Compensation of Directors and Executive Officers

Officers of the Company receive such remuneration as the Board may determine upon recommendation of the Compensation Committee.

The following table identifies the Chief Executive Officer ("CEO") and four most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2012, 2013 and 2014. The following table shows the compensation of the directors and officers for the past two completed fiscal years and estimated to be paid for the ensuing fiscal year:

SUMMARY OF COMPENSATION TABLE
(In Thousands)

DIRECTORS

Year	Directors' Fee
2014 (Estimated)	2,178
2013	1,212
2012	619

NAMED EXECUTIVE OFFICERS

NAME	POSITION
Gerard H. Brimo	*President & CEO*
Emmanuel L. Samson	*Chief Financial Officer*
Jose S. Saret	*Chief Operating Officer*
Rolando R. Cruz	*Vice President of Operations*
Martin Antonio G. Zamora	*Vice President for Marketing and Strategic Planning*

	Total Officers'		
Year	Salary	Bonus	Total
2014 (estimated)	P 30,585	P11,227	P41,812
2013	29,129	16,482	45,611
2012	25,220	13,670	38,890

ALL OTHER OFFICERS AS A GROUP

Year	Salary	Bonus	Total
2014 (estimated)	17,752	5,989	23,741
2013	15,360	8,135	23,495
2012	11,443	5,345	16,788

Compensation of Directors

Directors, except for independent directors, are paid per diem of P10,000 per board meeting or committee meeting attended. Independent directors are paid per diem of P150,000 per board meeting, P50,000 per Audit and Risk Committee meeting and P10,000 for other committee meetings.

Directors and officers are Eligible Participants under the Company's stock option plans (please see Warrants and Options Outstanding at pages 7 to 8 of this Information Statement).

Employment Contracts

There are no special employment contracts between the Company and its named executive officers.

Warrants and Options Outstanding

On 16 June 2010, the Board of Directors and stockholders approved the NAC Executive Stock Option Plan (the "ESOP") covering 12,000,000 shares of stock. The ESOP was duly approved by the Securities and Exchange Commission (SEC) on 20 December 2010. Several executive officers exercised their options under the ESOP in 2012 totaling 2,485,683 shares (as of 31 March 2013).

On 8 June 2012, the stockholders approved the declaration of a 50% stock dividend and the adjustment of the number of shares under the ESOP in view of the effect of the stock dividend.

On 19 March 2013, the SEC issued a resolution approving the exemption 4,457,156 common shares for the ESOP from registration.

On 3 June 2013, the stockholders approved the declaration of a 25% stock dividend and the adjustment of the number of shares under the ESOP in view of the effect of the stock dividend. On 2 September 2013, the SEC issued a resolution exempting 3,030,058 common shares for the ESOP from the registration requirement. Thus, a total of 19,487,214 shares were reserved for the ESOP. As of 31 October 2014, all but 25% of the stock option grants have vested, and a total of 13,176,797 shares have been exercised.

On 24 March 2014, the Board of Directors approved the adoption of a new Stock Option Plan called the Nickel Asia Corporation 2014 Stock Option Plan (the “2014 Stock Option Plan”) for officers of the Company and its operating subsidiaries, and Resident Mine Managers. Directors are likewise eligible to participate in the 2014 Stock Option Plan. The 2014 Stock Option Plan was approved by the stockholders at the annual shareholders' meeting held on 6 June 2014. The 2014 Stock Option Plan is also subject to approval of the Securities and Exchange Commission.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

(a) Title and Amount of Securities to be Authorized or Issued

The Company will issue 1,263,999,620 common shares of stock as stock dividend to stockholders. The record date of the dividend shall be determined in accordance with the rules of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), and after the approval of two-thirds (2/3) of the outstanding capital stock of the Company have been obtained. The stock dividend will bring the total outstanding common shares from 2,527,999,241 shares to 3,791,998,861 shares. The outstanding preferred shares shall remain at 720,000,000 shares at Php 0.01 par value each.

(b) Description of Registrant’s Securities

The Company currently has an authorized capital stock of Two Billion One Hundred Thirty Nine Million Seven Hundred Thousand Pesos (Php 2,139,700,000.00) divided into Four Billion Two Hundred Sixty Five Million (4,265,000,000) common shares with a par value of Fifty Centavos (Php0.50) per share and Seven Hundred Twenty Million (720,000,000) preferred shares with par value of One Centavo (Php0.01) per share. As of 31 October 2014, 2,527,999,241 common shares and 720,000,000 preferred shares are outstanding.

Stockholders holding common shares enjoy dividend and voting rights, pro rata to their shareholdings. Stockholders with preferred shares have the same right to vote as common shares but shall not participate in dividends declared by the Company and with a fixed cumulative dividend rate of seven percent (7%) per annum. Aside from these and all other rights of shareholders under the Corporation Code, stockholders of the Company have no other material rights.

There are no provisions in the Company’s by-laws that would delay, defer or prevent a change in control of the Company.

(c) Description of Transaction

The Board of Directors declared a fifty percent (50%) stock dividend for all common shares at its meeting held on 10 November 2014. Approval by the stockholders of the said declaration will be sought at the scheduled Special Stockholders' Meeting. If approved, a total of 1,263,999,620 common shares (Php 631,999,810 at Php 0.50 par value each) shall be issued out of the authorized but unissued capital stock and shall be distributed as stock dividends. Adjustments will be made to the number of shares reserved for the Company's stock option plans.

The record date for the entitlement to stock dividends shall be determined in accordance with the rules of the SEC and PSE after the approval of two-thirds (2/3) of the outstanding capital stock of the Company have been obtained. Each stockholder as of said record date will receive such number of stock dividend shares as he is entitled equivalent to fifty percent (50%) of his existing shareholding. Fractional shares will be rounded down to the nearest whole number.

The Corporation will not receive any consideration for the issuance of the shares as stock dividend.

Item 11. Authorization or Issuance of Securities Other than for Exchange

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2013, and the Quarterly Report as of 30 September 2014 are attached hereto.

The Management's Discussion and Analysis of Financial Condition and Results of Operations are stated on pages 1-23 of the attached Management Report. The notes to the Consolidated Financial Statements are incorporated hereto by reference.

The Company has not made any changes in and has not had any disagreements with its external auditor on accounting and financial disclosures.

Representatives of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV) are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

D. OTHER MATTERS

Item 18. Other Proposed Action

Action is to be taken on the approval of the fifty percent (50%) stock dividend declared by the Company’s Board of Directors in its meeting held on 10 November 2014. The 1,263,999,620 common shares to be issued as described in Item 9 above shall be distributed as stock dividend to stockholders as of a record date. The record date shall be determined in accordance with the rules of the SEC and PSE after the approval by two-thirds (2/3) of the outstanding capital stock of the Company shall have been obtained. Each stockholder as of said record date will receive such number of stock dividend shares as is equivalent to fifty percent (50%) of his existing shareholding. Fractional shares will be rounded down to the nearest whole number. In view of the stock dividend declaration, there will be an adjustment to the shares reserved for the Company’s stock option plans (please see Warrants and Options Outstanding at pages 7 to 8 of this Information Statement).

The resolution to be adopted will be for the approval of the 50% stock dividend covering the issuance of 1,263,999,620 common shares, the corresponding adjustment to the number of shares reserved for the Company's stock option plans, and the concomitant waiver of pre-emptive right to shares to be reserved for the stock options plans pursuant to such adjustment.

Item 19. Voting Procedures

Stockholders as of 24 November 2014 may vote at the Special Stockholders' Meeting on 18 December 2014.

Approval of the matters requiring stockholder action as set forth in the Agenda and this Information Statement would require the affirmative vote of the stockholders owning at least a majority of the outstanding voting capital stock except for the approval of the declaration of stock dividend which requires a vote of stockholders representing 2/3 of the outstanding capital stock

In all items for approval, the holders of common and preferred stock are entitled to one vote per share.

Stockholders shall be entitled to vote either in person or by proxy.

Proxies will be tabulated by the Company's stock transfer agent, Stock Transfer Service Inc. Results of the proxy tabulation will be announced for the relevant item on the Agenda. The Corporate Secretary will be responsible for the casting of votes and as appropriate, will be assisted by the Company's external auditor in the counting of votes.

PART II.

(PLEASE SEE SEPARATE PROXY FORM)

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 12 November 2014.

By:

BARBARA ANNE C. MIGALLOS
Corporate Secretary

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, AS FILED WITH THE SEC FREE OF CHARGE. ANY WRITTEN REQUEST SHALL BE ADDRESSED TO:

ATTY. BARBARA ANNE C. MIGALLOS
Corporate Secretary

NICKEL ASIA CORPORATION
28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila

C2281 NAC prelim IS SSM2014/jcl37

REPORT ACCOMPANYING THE INFORMATION STATEMENT

MANAGEMENT REPORT

I. Financial Statements

The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 in compliance with SRC Rule 68, as amended, and the unaudited quarterly report as of 30 September 2014 are attached to the Information Statement and are incorporated by reference.

II. Information on Independent Accountants and other Related Matters

The Company's consolidated financial statements for the year ended 31 December 2013 have been audited by SyCip Gorres Velayo & Co ("SGV & Co") (a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

Ms. Eleonore A. Layug is the Company's current audit partner. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period.

There were no disagreements with SGV & Co. on any matter of accounting and financial disclosure.

The following table sets out the aggregate fees incurred for the nine months ended September 30, 2014 and for the year 2013 for professional services rendered by SGV & Co.:

	September 30, 2014	December 31, 2013
	(In Thousands)	
Audit and Audit-Related Services	₱2,886	₱10,794
Non-Audit Services	634	1,657
Total	₱3,520	₱12,451

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

A. <u>Unaudited Interim Consolidated Financial Statements as at September 30, 2014 and December 31, 2013 and for the Nine Months Ended September 30, 2014 and 2013</u>

The following discussion and analysis is based on the unaudited interim consolidated financial statements for the nine months ended September 30, 2014 and 2013, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Summary Financial Information

The Unaudited Interim Consolidated Financial Statements as at September 30, 2014 and for the nine-month period ended September 30, 2014 and 2013 (with Comparative Audited Statement of Financial Position as at December 31, 2013) are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2014 and 2013 and as of September 30, 2014 and December 31, 2013:

Summary Consolidated Statements of Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
	(In thousand pesos)		(In thousand pesos)	
Revenues	11,807,742	3,813,317	21,146,032	8,197,023
Cost and expenses	(3,918,729)	(2,268,719)	(8,175,024)	(5,477,138)
Finance income	44,532	37,203	800,974	128,337
Finance expenses	(32,928)	(32,903)	(109,095)	(85,338)
Equity in net income (losses) of an associate	110,342	(9,640)	401,930	(114,018)
Other income - net	368,809	246,917	466,594	399,024
Provision for income tax - net	(2,295,757)	(446,559)	(3,829,253)	(815,226)
Net income	6,084,011	1,339,616	10,702,158	2,232,664
Net income attributable to:				
Equity holders of the Parent	4,881,914	1,104,156	8,181,545	1,739,764
Non-controlling interests	1,202,097	235,460	2,520,613	492,900
	6,084,011	1,339,616	10,702,158	2,232,664

Summary Consolidated Statements of Financial Position

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	24,600,543	14,601,036	9,999,507	68.5%
Noncurrent assets	15,491,920	14,312,492	1,179,428	8.2%
Total assets	40,092,463	28,913,528	11,178,935	38.7%
Current liabilities	3,955,085	1,308,963	2,646,122	202.2%
Noncurrent liabilities	2,270,514	2,392,777	(122,263)	-5.1%
Equity attributable to equity holders of the Parent	28,075,426	20,490,148	7,585,278	37.0%
Non-controlling interests	5,791,438	4,721,640	1,069,798	22.7%
Total liabilities and equity	40,092,463	28,913,528	11,178,935	38.7%
	-	-		

Summary Consolidated Statements of Cash Flows

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
	(In Thousand Pesos)		*(In Thousand Pesos)*	
Net cash flows generated from (used in):				
Operating activities	8,303,016	1,873,969	10,776,689	3,001,628
Investing activities	(1,427,833)	(149,881)	(2,603,295)	(1,550,230)
Financing activities	(512,795)	(503,912)	(2,232,764)	(1,254,188)
Net increase in cash and cash equivalents	6,362,388	1,220,176	5,940,630	197,210
Cash and cash equivalents, beginning	9,812,578	8,240,485	10,234,336	9,263,451
Cash and cash equivalents, end	16,174,966	9,460,661	16,174,966	9,460,661

Results of Operations

Nine months ended September 30, 2014 compared with nine months ended September 30, 2013

Revenues

Our total revenues were ₱21,146.0 million for the nine months ended September 30, 2014 as compared to ₱8,197.0 million for the nine months ended September 30, 2013, an increase of ₱12,949.0 million or 158%.

Sale of ore

We sold an aggregate 14,256.3 thousand wet metric tonnes ("WMT") of nickel ore in the nine months ended September 30, 2014, an increase of 38% compared to 10,317.5 thousand WMT of nickel ore in the nine months ended September 30, 2013. Our sales in the nine months of 2014 included 1,559.1 thousand WMT of saprolite ore to Japanese customers, 7,153.3 thousand WMT of saprolite and limonite ore to our Chinese customers, 159.4 thousand WMT of limonite ore to an Australian customer and 5,384.5 thousand WMT of limonite ore to Coral Bay Nickel Corporation ("CBNC") and Taganito HPAL Nickel Corporation ("THNC"), compared to sales of 885.9 thousand WMT, 6,616.7 thousand WMT, nil and 2,814.9 thousand WMT, respectively, for the same period last year.

The growth in shipment volumes was largely the result of increased ore deliveries to the HPAL plants, in particular to the Taganito HPAL facility, now on its first full year of commercial operations. The said plant was still in its pre-operating stage during the same period last year. As a result, total ore deliveries to the two HPAL plants reached 5,384.5 thousand WMT in 2014 compared to 2,814.9 thousand WMT in 2013. The direct exports of ore likewise contributed to our higher shipments, increasing from 7,502.7 thousand WMT in 2013 to 8,871.8 thousand WMT in 2014.

Our revenue from sale of nickel ore was ₱20,638.6 million for the nine months of 2014 compared to ₱7,767.6 million in the same period last year, an increase of ₱12,871.0 million or 166%. The effect of the Indonesian ore export ban has led to a rapid surge in ore prices to Chinese customers, significantly higher than the increase experienced in London Metal Exchange (LME) prices. As a result, ore sales to our Japanese customers, whose selling price has been traditionally linked to LME prices, are now benchmarked to China prices on the basis of a negotiated price per WMT of ore starting April of this year. The average price received for ore sales to Japanese and Chinese customers totaling 8,712.5 thousand WMT of both saprolite and limonite ore during the nine months of the year amounted to $46.72 per

WMT. This compares to an average $20.96 per WMT for the same period last year on a total of 7,502.7 thousand WMT of ore sold. The pricing of shipments to Japanese customers for the comparable period last year and the first quarter of this year, which were then correlated to the LME, were converted to the equivalent US dollar per WMT for comparison purposes.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which remain linked to LME prices, we realized an average of $7.87 per pound of payable nickel on 5,384.5 thousand WMT sold during the nine months of 2014. This compares to an average price of $6.89 per pound of payable nickel on 2,814.9 thousand WMT sold during the same period last year.

We own 60% of Rio Tuba Nickel Mining Corporation ("RTN"), which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of nickel ore was ₱5,201.1 million for the nine months of 2014 compared to ₱2,383.5 million for the nine months of 2013, an increase of ₱2,817.6 million or 118%. RTN sold an aggregate 4,559.8 thousand WMT of nickel ore in the nine months of 2014 compared to an aggregate 4,464.5 thousand WMT of nickel ore sold in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 493.2 thousand WMT or 189% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 460.5 thousand WMT or 28%. Further, the volume of limonite ore sold to CBNC increased by 62.5 thousand WMT or 2%.

RTN's revenue from sale of limestone ore was ₱220.6 million for the nine months of 2014, as compared to ₱95.5 million in the same period last year, an increase of ₱125.1 million or 131%. A total of 293.5 thousand WMT of limestone ore was delivered to CBNC this period compared to 141.8 thousand WMT in the same period last year. In 2013, most of CBNC's requirement for limestone ore was acquired from another supplier and this caused the lower limestone ore delivery last period. In addition, one of CBNC's plants had undergone maintenance shutdown in 2013.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mining operations. TMC's operations became the largest and accounted for 41% of total shipments during the nine months of the year. TMC's revenue from sale of nickel ore was ₱7,911.3 million for the nine months ended September 30, 2014 as compared to ₱2,150.3 million for the nine months ended September 30, 2013, an increase of ₱5,761.0 million, or 268%. TMC sold an aggregate 5,792.5 thousand WMT of nickel ore in the nine months of this year as compared to an aggregate 2,490.9 thousand WMT of nickel ore in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 210.0 thousand WMT or 53% and the volume of saprolite and limonite ore sold to Chinese customers increased by 584.4 thousand WMT or 32%. Further, TMC was able to deliver 2,778.8 thousand WMT of limonite ore to the new plant in 2014 whereas there was only 271.6 thousand WMT in 2013.

We own 100% of CMC, which owns and operates the Cagdianao mining operations. CMC's revenue from sale of nickel ore was ₱3,004.0 million for the nine months ended September 30, 2014 as compared to ₱521.7 million for the nine months ended September 30, 2013, an increase of ₱2,482.3 million, or 476%. CMC sold an aggregate 1,139.7 thousand WMT of nickel ore in the nine months of this year as compared to an aggregate 674.9 thousand WMT of nickel ore in the same period last year. Significant increase in sales revenue of CMC was mainly the result of favorable nickel price and higher volume of shipments in 2014 compared to 2013.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of nickel ore was ₱4,301.7 million for the nine months ended September 30, 2014 as compared to ₱2,616.6 million for the nine months ended September 30, 2013, an increase of ₱1,685.1 million, or 64%. In the nine months of this year, HMC managed to sell an aggregate 2,764.4 thousand WMT of saprolite and limonite ore to Chinese customers compared to 2,657.1 thousand WMT in the same period last year. HMC posted higher revenue in the current period due to favorable nickel price.

Services and Others
Our revenue from services and others was ₱507.5 million for the nine months of 2014 compared to ₱429.4 million for the nine months of 2013, an increase of ₱78.1 million, or 18%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The main reason for the sudden increase in our revenues from services and others in 2014 was due to the increase in materials handling services provided by TMC to THNC, being the latter's first full year of commercial operations whereas in 2013, Taganito HPAL facility was still in its pre-operating stage.

Costs and Expenses
Our costs and expenses amounted to ₱8,175.0 million for the nine months ended September 30, 2014 compared to ₱5,477.1 million for the nine months ended September 30, 2013, an increase of ₱2,697.9 million, or 49%.

Cost of Sales
For the nine months of 2014, our cost of sales was ₱4,165.2 million compared to ₱3,282.0 million in the same period last year, an increase of ₱883.2 million, or 27%. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱1,509.9 million to ₱1,950.4 million, outside services from ₱709.3 million to ₱893.5 million, and depreciation and depletion from ₱608.2 million to ₱723.6 million. The increase in cost of sales was highly attributable to the increase in shipment volumes by 38% in 2014 compared to the same period last year.

Cost of Services
Cost of services was ₱277.7 million for the nine months ended September 30, 2014 compared to ₱243.6 million for the nine months ended September 30, 2013, an increase of ₱34.1 million, or 14%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services by RTN and TMC to CBNC and THNC, respectively, plus the costs of maintaining the pier facility used by THNC. The surge in cost of services arises mainly from the 166% increase in volume handled for materials handling services rendered by TMC to THNC in the nine months of 2014. In the same period last year, the volume handled was only minimal.

Shipping and Loading
Shipping and loading costs were ₱1,502.0 million for the nine months ended September 30, 2014 compared to ₱1,024.5 million in the same comparable period last year, an increase of ₱477.5 million, or 47%. Aside from the 18% increase in volume of our direct export of ores to Japan, China and Australia, the increment in shipping and loading costs was also brought by additional barges hired/contracted due to dry-docking of three tugboats of RTN, repair of one LCT of TMC and dry-docking of two LCTs of HMC.

Marketing
Marketing costs were ₱144.5 million and ₱33.6 million for the nine months ended September 30, 2014 and 2013, respectively. Basically, the increase in marketing cost was due to higher commission paid by CMC, which is based on a certain percentage of its sales revenue, to its claim owner.

Excise Taxes and Royalties
Our excise taxes and royalties were ₱1,504.1 million for the nine months of 2014 compared to ₱474.2 million for the same period last year, an increase of ₱1,029.9 million, or 217%. The increase in excise taxes and royalties was attributable to the growth in our sales revenue this period as compared to the same period last year, particularly from TMC and CMC.

General and Administrative
General and administrative expenses were ₱581.5 million for the nine months of 2014 compared to ₱419.1 million for the nine months of 2013, an increase of ₱162.4 million, or 39%. The increase in taxes and licenses by ₱79.2 million and donations by ₱35.9 million caused the significant increase in the account. The increment in taxes and licenses pertains to the fringe benefit tax on stock option exercised during the period. In nine months of 2014, a total of 8.8 million shares were exercised as compared to only 1.9 million shares in 2013. In addition, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱44.90 in 2014 compared to ₱21.25 to ₱27.75 in 2013. Moreover, donations amounting to ₱31.5 million were given to the victims of super typhoon in Guiuan, Eastern Samar. The donations were used in the delivery of relief goods and building and reconstruction of houses. Aside from that, donations amounting to ₱3.5 million were also given to the Philippine General Hospital for the renovation of the wards.

Finance Income
Our finance income was ₱801.0 million for the nine months of 2014 compared to ₱128.3 million in the same comparable period last year, an increase of ₱672.7 million, or 524%. The significant increase in finance income pertains mainly to the one-time, non-cash gain on revaluation by RTN of its investment in CBNC that was subsequently declared as property dividend to the parent company.

Finance Expense
Our finance expense was ₱109.1 million for the nine months of 2014 compared to ₱85.3 million in the same comparable period last year, an increase of ₱23.8 million, or 28%. Basically, the movement in our finance expense arises from the increase in our loan guarantee service fee, which moved from ₱77.1 million to ₱102.9 million, due to additional loan drawn by THNC.

Equity in Net Income (Losses) of an Associate
Our equity in net income or loss of THNC was ₱401.9 million income and ₱114.0 million loss for the nine months of 2014 and 2013, respectively. The result of THNC's operations for the nine months ended September 30, 2014 and 2013 was a net income of US$40.0 million and a net loss of US$12.0 million, respectively.

Other Income - Net
Our other income - net for the nine months ended September 30, 2014 was ₱466.6 million compared to ₱399.0 million in the same comparable period last year, an increase of ₱67.6 million, or 17%. The significant increase in our other income - net was brought mainly by the movement in foreign exchange gains from ₱14.2 million to ₱204.7 million for the nine months of 2013 and 2014, respectively. In both periods, the Group was in net foreign

currency denominated asset position but the average value of peso to dollar in 2014 of ₱44.26 was higher compared to ₱42.05 in 2013, thus the increase in foreign exchange gains. In addition, the increase in reversal of allowance for impairment losses from ₱18.7 million to ₱128.9 million also contributed to higher other income – net in the current period. However, the increase was partially offset by the decrease in dividend income and gain on sale of property and equipment and investment property. In 2013, CBNC paid dividends of ₱60.5 million and the Group sold its condominium units at a gain of ₱222.0 million and none of these happened in 2014.

Provision for (Benefit from) Income Tax
Net provision for income tax was ₱3,829.3 million for the three quarters of 2014 compared to ₱815.2 million for the three quarters of 2013, an increase of ₱3,014.1 million, or 370%.

Current
Our current provision for income tax for the nine months of 2014 was ₱3,733.1 million compared to ₱882.8 million for the nine months of 2013, an increase of ₱2,850.3 million, or 323% due to increase in our sales revenue.

Deferred
Our provision for deferred income tax for the nine months of 2014 was ₱96.1 million compared to a benefit from deferred income tax of ₱67.6 million in the same period last year, an increase in provision for deferred income tax of ₱163.7 million, or 242%. The provision for deferred income tax for the three quarters of 2014 was higher compared to the same period last year due to the following: 1) HMC's reversal of allowance for impairment losses with tax effect of ₱38.6 million; 2) CMC's application of its excess minimum corporate income tax against income tax due amounting to ₱19.8 million and de-recognition of its deferred income tax asset on allowance for impairment losses on advances for future royalties amounting to ₱4.9 million due to allowance written-off; 3) tax effect of the parent company's application of net operating loss carry-over against its taxable income of ₱42.8 million. In 2013 the parent company was in net taxable loss position with deferred tax effect of ₱48.5 million; and 4) deferred tax effect of net unrealized foreign exchange gains of ₱43.3 million.

Net Income
As a result of the foregoing, our net income was ₱10,702.2 million for the nine months ended September 30, 2014 compared to ₱2,232.7 million for the same period last year. Net of non-controlling interests, our net income was ₱8,181.5 million in 2014 compared to ₱1,739.8 million in the same period last year.

Our core income, which was net of non-controlling interest and one-time, non-cash gain on revaluation of investment in CBNC, was ₱7,765.0 million and ₱1,739.8 million for the nine months ended September 30, 2014 and 2013, respectively.

Financial Position

As at September 30, 2014, total assets increased to ₱40,092.5 million from ₱28,913.5 million as of the end of 2013. Current assets increased to ₱24,600.5 million from ₱14,601.0 million mainly because of the increase in cash and cash equivalents from ₱10,234.3 million to ₱16,175.0 million; and trade and other receivables from ₱839.4 million to ₱3,076.3 million as a result of the increase in sales revenue for the period. In addition, AFS financial assets increased from ₱1,257.4 million to ₱2,559.4 million due to additional investment in various debt and equity securities.

The increase in noncurrent assets from ₱14,312.5 million to ₱15,491.9 million was brought mainly by the higher fair value of CBNC shares as compared to its cost. The fair value of CBNC shares, as recognized in the books of the Parent Company, amounted to ₱1,418.7 million while its cost amounted to ₱724.4 million only. The said shares were declared by RTN as property dividend to the Parent Company. In addition, investment in THNC increased from ₱4,112.1 million to ₱4,563.0 million due to favorable results of THNC's operations for the nine months ended September 30, 2014 as compared to year-end 2013.

Total current liabilities increased to ₱3,955.1 million as at September 30, 2014 from ₱1,309.0 million as at December 31, 2013 due to income taxes payable, which increased from ₱263.4 million to ₱2,172.6 million, and trade and other payables, which increased from ₱928.1 million to ₱1,663.7 million. Total noncurrent liabilities decreased to ₱2,270.5 million as at September 30, 2014 from ₱2,392.8 million as at December 31, 2013 due to payments of long-term debt amounting to ₱78.4 million and payments of rehabilitation cost amounting to ₱9.5 million. Deferred income tax liabilities also decreased from ₱486.2 million to ₱439.0 million.

Our equity net of non-controlling interests as at September 30, 2014 increased to ₱28,075.4 million from ₱20,490.1 million as of year-end 2013, due to net earnings for the period.

Cash Flows

The net cash from operating activities amounted to ₱10,776.7 million for the nine months ended September 30, 2014 compared to ₱3,001.6 million for the same period last year. Basically, the movement pertains to higher cash generated from operations as a result of the significant increase in sales revenue in the current period.

Net cash used in investing activities for the nine months ended September 30, 2014 and 2013 amounted to ₱2,603.3 million and ₱1,550.2 million, respectively. In 2014, acquisitions of additional AFS financial assets, mostly investments in funds or money market instruments, were higher by ₱1,041.6 million as compared to 2013.

For the nine months ended September 30, 2014 and 2013, the net cash used in financing activities amounting to ₱2,232.8 million and ₱1,254.2 million, respectively, arises mainly from payments of cash dividends.

As at September 30, 2014 and 2013, cash and cash equivalents amounted to ₱16,175.0 million and ₱9,460.7 million, respectively.

B. Audited Consolidated Financial Statements as at December 31, 2013 and 2012 and for the Years Ended December 31, 2013, 2012 and 2011

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

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

Summary Financial Information

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

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

Summary Consolidated Statements of Income

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

Summary Consolidated Statements of Income

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

Summary Consolidated Statements of Financial Position

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

Summary Consolidated Statements of Financial Position

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

Summary Consolidated Statements of Cash Flows

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

Results of Operations

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

Revenues

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

Sale of ore

We sold an aggregate 13,998.4 thousand WMT of nickel ore in 2013, an increase of 19% compared to 11,730.2 thousand WMT of nickel ore in 2012. Our sales for this year included 3,594.2 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 6,124.7

thousand WMT of limonite ore to our Chinese customers and 4,279.5 thousand WMT of limonite ore to CBNC and THNC compared to sales of 4,236.6 thousand WMT, 4,142.1 thousand WMT and 3,351.5 thousand WMT, respectively, in 2012.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Income

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

Finance Expenses

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

Equity in Net Losses of an Associate

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

Other Income - net

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

Provision for (Benefit from) Income Tax

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

Net Income

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

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

Revenues

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

Sale of ore

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Income - net
Our other income in 2012 was ₱300.3 million as compared to ₱745.2 million in 2011. Other income - net was primarily consists of dividend income from CBNC, which decreased from ₱434.2 million to ₱191.9 million, and net foreign exchange losses which moved from a ₱39.7

million gain to a ₱123.5 million loss due to the appreciation of the peso relative to the U.S. dollar. Further, in 2011 the Group recognized provisions for impairment losses on deferred mine exploration costs, advances to claim owners, input tax and inventory losses amounting to a total of ₱103.3 million whereas there was none in 2012. Due to the foregoing the net decrease in other income – net in 2012 was partially reduced.

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

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

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

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

Sale of ore
Our revenue from sale of ore was ₱12,230.3 million in 2011 as compared to ₱8,074.3 million in 2010, an increase of ₱4,156.0 million, or 51%. The increase in revenue was due both to a higher volume of nickel ore sold, mainly to our Chinese customers, and higher ore prices. Our realized LME nickel price in 2011, applicable to sales of high and medium grade saprolite ore sold to our Japanese and Chinese customers and sales of limonite ore to CBNC, averaged $10.53 per pound of payable nickel compared to $9.61 per pound of payable nickel in 2010. The weighted average price per WMT of low grade saprolite ore and limonite ore sold to our Chinese customers in 2011 amounted to $24.47 compared to $18.15 in 2010. The increased demand as well as higher prices for our various types of ore was largely due to the increase in both the nickel pig iron and carbon steel production in China.

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

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

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

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

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

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

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

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

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

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

Cost of Services

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

Shipping and Loading Costs and Marketing Expenses

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

Excise Taxes and Royalties

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

General and Administrative

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

Finance Income

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

Finance Expense

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

Equity in Net Losses of an Associate

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

Other Income (Charges) - net

Our other income in 2011 was ₱745.2 million as compared to other charges of ₱6.4 million in 2010. The turnaround was due largely to an inventory write-up on the long-term stockpile at our Rio Tuba mine in the amount of ₱573.1 million, and a ₱436.4 million dividends received by RTN from CBNC. These gains were partially offset by a ₱239.5 million casualty loss from damages incurred as a result of the insurgency attack which occurred at the Taganito mine site. In 2010, we incurred a net foreign exchange loss of ₱482.1 million as a result of the decrease in value of our U.S. dollar denominated assets, primarily our cash and cash equivalents and portfolio investments. The higher net foreign exchange loss in 2010 was partially offset by our other income consisting of ₱120.2 million of dividend income, the majority of which was a dividend payment from CBNC to RTN, a ₱80.7 million gain resulting from the bargain purchase of La Costa Shipping and Lighterage Corporation, a company engaged in the chartering of LCTs, a ₱74.1 million reversal of accruals that we made in prior periods for vessel demurrage, ₱61.5 million of other services provided by RTN to CBNC, a ₱56.3 million reversal of allowance for inventory losses of nickel ore provided for in 2008, which inventory was sold in 2010 and a one-time fee of ₱33.7 million for the handling of TMC ore which was delivered to the CBNC HPAL facility.

Provision for (Benefit from) Income Tax

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

Net Income

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

Financial Position

Calendar year as at December 31, 2013 and 2012

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

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

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

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

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

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

Calendar year as at December 31, 2012 and 2011

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

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

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

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

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

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

Calendar year as at December 31, 2011 and 2010

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

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

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

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

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

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

Cash Flows

Calendar year ended December 31, 2013, 2012 and 2011

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

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

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

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

Top Five (5) Key Performance Indicators

LME price

Our products are mainly classified into three: 1) high-grade saprolite; 2) middle-grade saprolite; and 3) limonite (low nickel/high iron). We typically sell high- and middle-grade saprolite ore to our Japanese customers, particularly Pacific Metals Co., Ltd. ("PAMCO") and Sumitomo Metal Mining Co. Inc. ("SMM") under long-term agreements. For our Chinese customers, we market middle-grade saprolite and limonite ore on annual basis. We are also the exclusive supplier of limonite ore, also under a long-term agreement, to the Coral Bay

HPAL facility and Taganito HPAL facility. The price of high- and middle-grade saprolite and limonite ore sold to Japan and China is based on China spot market price. As to high- and middle-grade saprolite, the price is closely correlated to LME Ni price, while limonite ore is closely correlated to international iron ore price index.

Nickel prices have historically exhibited considerable volatility. Nickel prices climbed from as low as US$4.25 per pound in March 2009 to a high of US$13.17 per pound in February 2011. The average LME nickel prices per pound for the nine months of 2014 and 2013 were US$7.81 and US$6.97, respectively.

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

Volume

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for nickel pig iron and carbon steel in China. Our sales of high-grade saprolite ore are mainly to PAMCO, who purchases our high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our middle-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our middle-grade saprolite ore and limonite ore sales to our Chinese customers is based on China spot market prices. In addition to sales of nickel ore to PAMCO, SMM and our customers in China, we sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility, in which we have a minority interest, and from our Taganito mine to the Taganito HPAL facility, in which we have a 22.5% equity interest. CBNC purchases an amount of limonite ore from us sufficient to meet its ore requirements. The Coral Bay HPAL facility has an annual capacity of 23,000 tonnes. The Taganito HPAL facility has an annual capacity of 30,000 tons of contained nickel over an estimated 30-year Project life.

The type and grade of ore that we mine

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

Mine Site Cash Cost per Volume Sold

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

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

The average mine site cash cost per volume sold for the nine months of 2014 was ₱329.93 per WMT on the basis of aggregate cash costs of ₱4,800.5 million. This compares to ₱342.43 per WMT during the same period in 2013 on the basis of aggregate cash costs of ₱3,581.5 million.

Currency exchange rates
We earn substantially all of our revenues in US$ while most of our expenses are paid in peso. The appreciation of the peso against the US$ effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents and other portfolio investments are denominated in US$, the appreciation of the peso against the US$ reduces the value of these assets in peso terms in our financial statements. Our current policy is not to hedge our exposure to foreign currency exchange risk.

The Group's average realized peso-to-dollar rates for the nine-month period ended September 30, 2014 and 2013 are ₱43.90 and ₱42.52, respectively.

Liquidity and Capital Resources
As of September 30, 2014 and December 31, 2013, our principal source of liquidity was cash from our operations. We incurred long-term debt to finance the construction of our Rio Tuba and Taganito pier facilities. We receive income from CBNC and THNC under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for the use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt.

As of September 30, 2014 and December 31, 2013, our working capital, defined as the difference between our current assets and current liabilities, was ₱20.6 billion and ₱13.3 billion, respectively. We expect to meet our working capital, capital expenditure and investment requirements from the cash flow coming from our operations and as well as debt that we have incurred to finance the construction of pier facilities at our Rio Tuba and Taganito properties. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

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

IV. Brief Description of the General Nature and Scope of the Business of Nickel Asia Corporation and Subsidiaries

A. Corporate Profile

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

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

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

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

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

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

B. Business Overview

Principal Products and Services

We are one of the largest global suppliers of lateritic nickel ore, and the largest nickel mining company in the Philippines, where we accounted to have sold a total of about 110 million tonnes of ore up to third quarter of 2014. At each of our mines at our Rio Tuba, Taganito, Cagdianao and Taganaan sites, we are able to employ a low-cost open pit mining method, with very low waste to ore ratio and without the need for explosives, chemicals or complex waste handling, to extract two types of nickel ore: limonite ore, which occurs at the upper layer of the deposit and generally consists of lower nickel and higher iron content; and saprolite ore, which is generally found beneath the limonite layer and typically consists of higher nickel and lower iron content. Since we began commercial operations in 1977 through third quarter of 2014, we have delivered over 110 million WMT of saprolite ore and limonite ore to our customers. As of December 31, 2013, our mines had proved and probable saprolite ore reserves of 119.6 million wet metric tonnes ("WMT") with an average grade of 1.50% nickel, and proved and probable limonite ore reserves (including stockpiles) of 249.7 million WMT with an average grade of 1.09% nickel, in each case as estimated in accordance with the Philippine Mineral Reporting Code ("PMRC").

We supply different grades of saprolite ore and limonite ore to multiple customers, which use the ore to produce intermediate products, mainly for the manufacture of stainless steel and for the production of nickel cathodes. Our margins on sales of nickel ore vary depending on the type and grade of nickel ore that we sell, with high-grade saprolite ore providing higher margins than low-grade saprolite ore and limonite ore. In addition to nickel laterite, RTN also supplies crushed limestone materials to Coral Bay Nickel Corporation ("CBNC") and Unichamp Phil. Inc., the processing plants of which are located within Rio Tuba Export Processing Zone. RTN and TMC likewise provided contract services to CBNC and Taganito HPAL Nickel Corporation ("THNC"), respectively, such as plant supplies/materials handling and equipment maintenance.

V. The Market Price and Dividends

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

	High	Low
2010		
4th quarter	₱8.97	₱8.13
2011		
1st Quarter	₱12.19	₱9.23
2nd Quarter	₱12.56	₱10.03
3rd Quarter	₱11.47	₱8.80
4th Quarter	₱11.17	₱8.96
2012		
1st Quarter	₱18.37	₱11.20
2nd Quarter	₱18.93	₱14.53
3rd Quarter	₱16.24	₱13.28
4th Quarter	₱14.00	₱12.62
2013		
1st Quarter	₱20.40	₱13.06
2nd Quarter	₱22.56	₱15.23
3rd Quarter	₱17.48	₱15.00
4th Quarter	₱16.46	₱14.28
2014		
1st Quarter	₱19.88	₱15.04
2nd Quarter	₱33.00	₱20.45
3rd Quarter	₱47.90	₱32.60
October	₱44.00	₱38.90

The Company's stocks share price was at ₱43.00 per share as of November 11, 2014.

Holders
The top 20 stockholders of the Company as of 31 October 2014 are:

STOCKHOLDERS' NAME	NUMBER OF SHARES	% OF OWNERSHIP
PCD Nominee Corporation (Filipino)	1,755,663,136	69.45%
Sumitomo Metal Mining Philippine Holdings Corporation	481,552,642	19.05%
PCD Nominee Corporation (Non-Filipino)	277,908,529	10.99%
Gerard H. Brimo	4,476,375	00.18%
Pacific Metals Co., Ltd.	4,204,171	00.17%
Manuel B. Zamora, Jr.	1,484,953	00.06%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	600,000	00.02%
Ronaldo B. Zamora	433,408	00.02%
Philip T. Ang	391,934	00.02%
Scott Ian Lim Yu	268,500	00.01%
Steven Ivan Lim Yu	258,500	00.01%
Eva Policar-Bautista	121,875	00.00%
Luisimil De Villa Gala and/or Sylvia Reynoso Gala	100,050	00.00%
Berck Y. Cheng	100,000	00.00%
Gayly Lim Yu	100,000	00.00%
RMJ Development Corp.	75,000	00.00%
Alvin S. Ison &/or Maria Lea S. Ison	57,437	00.00%
Cristina S. Ison	53,437	00.00%
Rolando I. Gonzalez	37,875	00.00%
Sylvia F. Lacson	18,750	00.00%

As of 31 October 2014, the Company has 49 stockholders.

Dividends
The following tables show the dividends declared to common shareholders for the period ended September 30, 2014 and years ended December 31, 2013, 2012 and 2011:

Cash Dividends

	Date			*Amount*	
Earnings	*Approved*	*Record*	*Payable*	*Per Share*	*Total Declared (in millions)*
2014	March 14, 2014	April 10, 2014	May 8, 2014	₱0.30	₱757.7
2013	April 5, 2013	April 22, 2013	May 14, 2013	₱0.35	₱705.3
2012	March 28, 2012	April 16, 2012	May 11, 2012	0.80	1,073.5
2011	October 25, 2011	November 11, 2011	December 8, 2011	0.15	201.0
2011	March 25, 2011	April 11, 2011	May 9, 2011	0.35	468.9

Stock Dividends

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

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

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

VI. Compliance with Leading Practices on Corporate Governance

The Company adopted its Manual on Corporate Governance (the "Manual") on June 16, 2010 and the amendments thereto on March 25, 2011 so as to incorporate certain mandatory provisions of the Revised Code of Corporate Governance. The Amended Manual was submitted to the SEC on March 31, 2011. On July 30, 2014, the Company submitted to the SEC its Revised Corporate Governance Manual which incorporates the provisions mandated under the SEC Memorandum Circular No. 9, series of 2014.

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

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

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

The Company has undergone a self-assessment process and has implemented a rational rating system to determine compliance by Directors and Officers with the Manual for Corporate Governance. Along with this, the Company has implemented an enterprise 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 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 provides 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 and other stakeholders.

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

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

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

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

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

The Company adopts the definition of "independence" under the Securities Regulations Code. The term of the Company's independent directors is the same as that of the other directors of the Company which is one (1) year as provided in the Company's Articles of Incorporation.

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

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

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

Role of the Chairman

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

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

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

Roles and Accountabilities of Other Directors

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

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

Enterprise Risk Management (ERM)

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

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

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

Following the successful implementation of ERM in our pilot subsidiary, the other operating subsidiaries have followed and implemented ERM to their respective organizations.

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

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

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

Compliance Risk	Operating in a highly regulated industry, compliance to various laws, rules and regulations is to be fully enforced.	It is the objective of the policy that ensures that the Company is fully compliant with applicable laws, rules and regulations given the sensitivity of the regulatory environment where the Company operates.

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

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

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Strategic: Market condition, forex and LME prices	Regular updates of market data especially on buyer's requirement; obtain forecasts of forex and LME prices.	• Preparing alternative mining plans • Revising budgets (forecasts) • Managing foreign exchange position • Implementing sensitivity analysis
Operational: Lack of available manpower specifically skilled drivers and operators that could result in not meeting production targets	Close coordination between Mines Group and HR with regards to manpower hiring requirements. Monitoring of production accomplishment by comparing actual against budget as well tons per manshift; the resulting data helps determine the adequacy/inadequacy of available manpower	• Collaboration with TESDA in training people from surrounding communities • Harness untapped potential of women operators • Aim for commonality of equipment being operated and maintained • Offering competitive compensation
Operational: Unavailable mining equipment resulting to decreased production	Daily Monitoring of equipment breakdowns, job orders, and completed repairs. A minimum of 80% physical availability for all production equipment must be maintained.	• Continuous training and re-training of drivers and operators on proper use and handling of equipment to reduce equipment breakdown • Implementing Work order for mechanical and strict monitoring of night shift productivity • Conducting regular PMS • Tapping the expertise of the supplier on proper maintenance and servicing of equipment • Construction of an improved mechanical shop

		• Monitoring consumption and stocking level of repair parts for both warehouse and consignment to ensure repair parts availability • 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.	• Assigning responsibility and accountability to contractors for accident prevention • Construction of engineering measures such as higher safety berms, and escape ramps at carefully identified locations • Traffic monitoring at the minesite area, installation of checkpoint barriers at each ridge • Commitment to a stronger implementation of work safety standards and procedures
Financial: Losses from non-marketability of ores at certain grades	Closely monitoring prices and inventory levels	• Blending of ores • Looking out for market opportunities
Compliance: Suspension of operation due to non-compliance to DENR guidelines and standards pertaining to water quality	Daily monitoring of water and air quality to ensure compliance. Water pH and TSS (Total suspended solids) are monitored daily at established stations (settling ponds and Taganito river)	• Compacting and covering of stockpiles • Construction of catch drainage • Planned maintenance of catch drainages and settling ponds by desilting •

<u>Internal Audit and Control</u>

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

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

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

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

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

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

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

During 2014, the scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:

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

- Reviewing specific operations at the request of the Audit Committee or management, as appropriate; and
- Monitoring and evaluating the effectiveness of the organization's risk management system.

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

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

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

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

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

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

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

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

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

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

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

Corporate Social Responsibility Initiatives

It is critical to our operations as a Group that the communities in which we operate sees us and welcomes us as an invaluable contributor to and partner in the improvement of their standard of living.

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

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

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

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

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

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

These were the projects that the communities themselves had identified as their priorities, and which had been cleared with the proper authorities, particularly the MGB for implementation either under SDMP funding or CSR funding. And this process of community integration into the planning and implementation process was a standard practice, whether in Surigao or Palawan.

Recently, basketball tournaments featuring LGU-based teams were launched in Palawan and Surigao, with the winning team winning a school building for its LGU. This was an effort of our operating companies to reach out to communities beyond their impact barangays in order to share some benefits for the community.

On another level, the Company is currently supporting the “I am PGH” fund drive, for the benefit of the patients of the Philippine General Hospital.

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

Customer Safety and Welfare

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

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

Employees

Health, Safety and Welfare

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations such as:

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

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

Training and Development Programs

We have developed a training and development program for the employees based on the training needs analysis conducted. Every year, we provide training and development opportunities for all employees to enhance their knowledge, skills and competencies towards the achievement of their individual performance targets, as well as their career goals. The trainings cover a variety of aspects aimed at further enriching their technical competency, as well as their intangible or "soft skills" that would help them to do their role more effectively. All training activities are documented and included in the official newsletter/ magazine of the operating companies. Aside from this, an internal report is prepared and submitted by Human Resources after each training activity of the concerned departments.

Supplier/Contractor

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

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

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

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

Creditors

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

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

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

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

Sustainability Program

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

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

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

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

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

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

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

The Company issued its first Sustainability Report during the Annual Stockholders' Meeting last June 2014. The report features in detail the Company's commitment to sustainable development as operationalized by its subsidiaries.

COVER SHEET

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SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

NAC Tower 32nd Street, Bonifacio Global City, Taguig

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

Emmanuel L. Samson

(Contact Person)

(632) 892-6669

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Calendar Year)

A A C F S

(Form Type)

0 6	1ST Friday
Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

45	**₱1,359.6 million**	**₱179.0 million**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

NICKEL ASIA CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

Manuel B. Zamora Jr.
Chairman of the Board

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President/Chief Financial Officer

Signed this 24th day of March 2014

APR 04 2014

ATTY. RAMON L. CARPIO

ROLL NO. ... 897

MELE ... 268

TR ... 9529822 ... PASIG CITY

SGV
Building a better working world

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries
NAC Tower
32nd Street, Bonifacio Global City
Taguig

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

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

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug

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

March 24, 2014

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NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2013
(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amountsin Thousands, Except Earnings per Share)

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Amounts in Thousands)

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

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

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

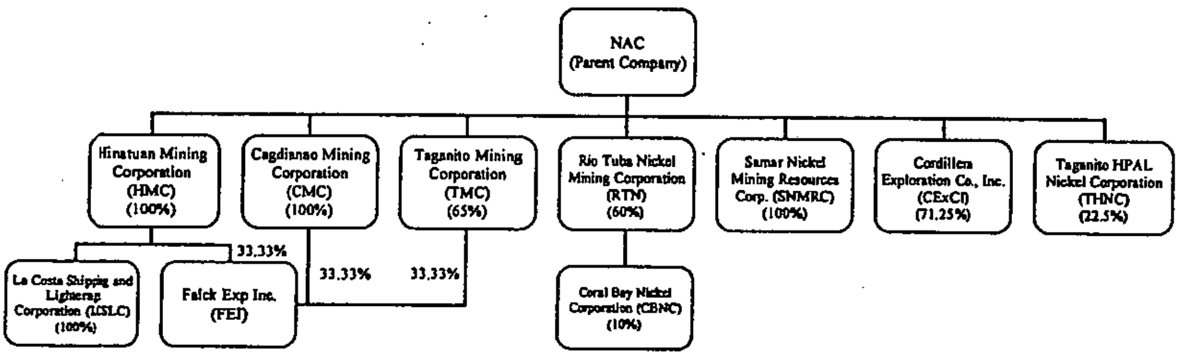
NICKEL ASIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

1. Corporate Information

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

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

Parent Company Ownership Map



The Subsidiaries

HMC

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

CMC

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

TMC

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

RTN

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

FEI

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

LCSLC

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

SNMRC

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

CExCI

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

Executive Order (EO) 79

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

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

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

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

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

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

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

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

Basis of Consolidation from January 1, 2010
The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred to as the Group) and associate:

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

(Forward)

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

*Direct and indirect ownership

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

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

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

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

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

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

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

NCI

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

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

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

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

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

Basis of Consolidation Prior to January 1, 2010

The above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

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

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

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

Initial Recognition and Measurement of Financial Instruments

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

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

Financial Assets

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

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

Financial Liabilities

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Subsequent Measurement

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

Loans and Receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

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

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

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

OCI

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

Capital Stock

Common shares are classified as equity.

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition

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

Sale of Beneficiated Nickel Silicate and Limestone Ore

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

Rendering of Services

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

Interest

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

Dividend

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

Rental

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

Despatch

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

Cost and Expenses Recognition

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

Cost of Sales

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

Cost of Services

Cost of services is incurred in the normal course of business and is provided in the period when the related service has been rendered.

Operating Expenses
Operating expenses consist of costs associated with the development and execution of marketing and promotional activities, cost of shipping and loading, excise taxes and royalties due to the Government and to indigenous people, and expenses incurred in the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense arises.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.
e) where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized outside consolidated statement of income is recognized outside consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Business Segments
For management purposes, the Group is organized into operating segments (mining and services) according to the nature of the products and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The segment locations are the basis upon which the Group reports its primary segment information for the mining segment. All of the segments operate and generate revenue only in the Philippines. Financial information on business segments is presented in Note 39.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Reporting Period
Post year-end events that provide additional information about the Group's position at each end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. Each subsidiary in the Group also determines its own functional currency. The functional currency of the subsidiaries in the Group is also the Philippine peso. The functional currency is the currency of the primary economic environment in which the Parent Company and its subsidiaries operates. It is the currency that mainly influences the costs and expenses, in which funds from financing activities are generated, and in which receipts from operating activities are generally retained.

Classifying Financial Instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Determining Operating Lease Commitments - Group as a Lessee
The Group has entered into commercial property and equipment leases. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Determining Operating Lease Commitments - Group as a Lessor
The Group has entered into a property lease on its mine infrastructure and property and equipment leases. The Group has determined that it retains all the significant risks and rewards of ownership of the said properties which are being leased out on operating lease.

Assessing Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or amortization commences.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have the most significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Estimating Allowance for Impairment Losses on Trade and Other Receivables
The Group evaluates specific accounts where the Group has information that certain customers, which include related parties, are unable to meet their financial obligations. The Group assesses individually the receivables based on factors that affect its collectibility. Factors such as the Group's length of relationship with the customers, the customer's current credit status, probability of insolvency and significant financial difficulties of customers are considered to ascertain the amount of allowances that will be recorded in the receivables account. These allowances are re-evaluated and adjusted as additional information is received.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of trade and other receivables amounted to ₱839.4 million and ₱937.9 million as at December 31, 2013 and 2012, respectively (net of allowance for impairment losses of ₱38.9 million and ₱43.7 million as at December 31, 2013 and 2012, respectively; see Note 5).

Estimating Beneficiated Nickel Ore and Limestone Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying values of property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets and depreciation and depletion charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of the reserves. The Group reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel prices or production costs and other factors.

Estimating Recoverability of Long-term Stockpile Inventory
The determination of the Group's long-term stockpile inventory include among others, projected revenues, operating and delivering costs from the sale of the long-term stockpile. Actual results that differ from the Group's assumptions generally affect the Group's recognized expense. The long-term stockpile inventory is carried at the lower of cost or NRV. An allowance for inventory losses is recognized when the carrying value of the asset is not recoverable and exceeds the NRV. Long-term stockpile inventory - net of current portion amounted to ₱981.5 million and ₱1,266.0 million as at December 31, 2013 and 2012, respectively (see Note 12).

Estimating Allowance for Impairment Losses on Inventory
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the number of contained nickel ore ounces based on assay data. Stockpile tonnages

are verified by periodic surveys. NRV test for materials and supplies is also performed annually and it represents the current replacement cost. Increase in the NRV of inventories will increase the costof inventories but only to the extent of their original production costs.

As at December 31, 2013 and 2012, inventories carried at lower of cost or NRV amounted to ₱2,044.5 million and ₱2,004.2 million, respectively (net of allowance for inventory losses of ₱374.3 million and ₱383.4 million as at December 31, 2013 and 2012, respectively; see Note 6).

Estimating Impairment Losses on AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as twenty percent (20%) or more of the original cost of investment, and "prolonged" as greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities in determining the amount to be impaired.

The Group treats unquoted AFS financial assets as impaired when there is objective evidence of impairment as a result of one (1) or more events or loss events and that loss event has an impact on the estimated future cash flows of the AFS financial assets. An objective evidence may include information about significant changes with an adverse effect that have taken place in the market, technological, economic or legal environment in which the investees operates, and indicates that the costof the investment in the equity instruments may not be recovered.

No impairment loss was recognized on quoted and unquoted AFS financial assets in 2013 and 2012. The carrying values of AFS financial assets amounted to ₱2,438.9 million and ₱2,128.0 million as at December 31, 2013 and 2012, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment and Investment Properties
The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There isno change in the estimated useful lives of the property and equipment and investment ~~properties as at December 31, 2013 and 2012.~~

The carrying values of property and equipment as at December 31, 2013 and 2012 amounted to ₱6,585.8 million and ₱5,949.9 million, respectively (net of accumulated depreciation, amortization and depletion of ₱5,048.0 million and ₱3,951.5 million as at December 31, 2013 and 2012, respectively; see Note 9). The carrying values of investment properties as at December 31, 2013 and 2012 amounted to ₱29.0 million and ₱72.2 million, respectively (net of accumulated depreciation of nil and ₱70.0 million as at December 31, 2013 and 2012, respectively; see Note 10).

Estimating Impairment Losses on Property and Equipment and Investment Properties
The Group assesses impairment on property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. No impairment loss was recognized in 2013 and 2012.

The carrying values of property and equipment and investment properties amounted to ₱6,585.8 million and ₱29.0 million, respectively, as at December 31, 2013 and ₱5,949.9 million and ₱72.2 million, respectively, as at December 31, 2012 (see Notes 9 and 10).

Estimating Impairment Losses on Investment in an Associate
Impairment review of investment in an associate is performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. Management has determined that there are no events or changes in circumstances in 2013 and 2012 that may indicate that the carrying value of investment in an associate may not be recoverable. No impairment loss was recognized on investment in an associate in 2013 and 2012. The carrying values of the Group's investment in an associate amounted to ₱4,112.1 million and ₱3,988.9 million as at December 31, 2013 and 2012, respectively (see Note 11).

Estimating Recoverability of Deferred Mine Exploration Costs
The application of the Group's accounting policy for deferred mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after mine explorations costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

Deferred mine exploration costs, included in "Other noncurrent assets", as at December 31, 2013 and 2012 amounted to ₱197.0 million and ₱142.4 million, respectively (net of allowance for impairment losses of ₱144.2 million and nil as at December 31, 2013 and 2012, respectively; see Note 13).

Estimating Allowance for Impairment Losses on Nonfinancial Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on nonfinancial other current assets and other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other current assets or other noncurrent assets.

The carrying values of nonfinancial other current assets amounted to ₱225.4 million and ₱157.9 million as at December 31, 2013 and 2012, respectively, while nonfinancial other noncurrent assets amounted to ₱840.6 million and ₱814.7 million as at December 31, 2013 and 2012, respectively.

The allowance for impairment losses on the Group's nonfinancial other current assets amounted to ₱0.5 million and ₱0.9 million as at December 31, 2013 and 2012, respectively (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2013 and 2012 amounted to ₱160.6 million and ₱16.5 million, respectively (see Note 13).

Estimating Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

The Group revised its estimate of the mine rehabilitation and decommissioning cost resulting to an adjustment on capitalized cost amounting to nil and ₱57.3 million in 2013 and 2012, respectively. Provision for mine rehabilitation and decommissioning amounted to ₱130.9 million and ₱132.5 million as at December 31, 2013 and 2012, respectively (see Note 16).

Determining Pension Benefits
The determination of the Group's obligation and costs for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 32, include among others, discount rates, expected rates of return and future salary increase rates. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. While

management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other retirement obligations.

As at December 31, 2013 and 2012, pension asset included under "Other noncurrent assets" account amounted to nil and ₱57.0 million, respectively (see Notes 13 and 32). Pension liability amounted to ₱279.1 million and ₱136.5 million as at December 31, 2013 and 2012, respectively (see Note 32).

Share-based Payment Transactions
The Parent Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized as expense in 2013, 2012 and 2011, with a corresponding charge to the equity account amounted to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively. As at December 31, 2013 and 2012, the balance of the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱49.5 million and ₱57.5 million, respectively (see Note 18).

Assessing Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has net deferred income tax assets amounting to ₱344.4 million and ₱364.9 million as at December 31, 2013 and 2012, respectively (see Note 33).

~~As at December 31, 2013 and 2012, the Group has temporary difference on net operating loss~~ carry over (NOLCO) and excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) amounting to ₱80.6 million and ₱786.7 million, respectively, for which no deferred income tax asset was recognized because it is more likely than not that the carryforward benefit will not be realized on or prior to its expiration (see Note 33).

Determining Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates

are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 35).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand and with banks	₱4,981,843	₱637,617
Short-term cash investments	5,252,493	8,625,834
	₱10,234,336	₱9,263,451

Cash with banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

Interest income earned from cash and cash equivalents amounted to ₱143.0 million, ₱205.7 million and ₱196.7 million in 2013, 2012 and 2011, respectively (see Note 27).

The Group has US$ denominated cash and cash equivalents amounting to $59.4 million, equivalent to ₱2,636.9 million, and $15.0 million, equivalent to ₱613.9 million, as at December 31, 2013 and 2012, respectively (see Note 34).

Cash with banks amounting to ₱65.1 million and ₱64.2 million as at December 31, 2013 and 2012, respectively, representing proceeds from the IPO, were deposited in escrow and are restricted as to withdrawal for specified purpose as determined in the prospectus submitted with the SEC; thus, are classified as "Other noncurrent assets" (see Note 13).

5. Trade and Other Receivables

	2013	2012
Trade (see Note 31)	₱654,568	₱568,266
Advances to suppliers and contractors	63,154	119,172
Receivable from CBNC (see Note 31)	50,049	73,429
Amounts owed by related parties (see Note 31)	9,212	14,251
Notes receivable	–	76,278
Others (see Note 31)	101,409	130,205
	878,392	981,601
Less allowance for impairment losses	38,943	43,741
	₱839,449	₱937,860

Trade receivables and receivable from CBNC are noninterest-bearing and are generally on seven (7)-day to thirty (30)-days' terms.

Advances to suppliers and contractors represent payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and completion of services.

Notes receivable pertains to US$ denominated promissory note amounting to US$1.9 million with an EIR of 4.5%, issued by Exchange Equity Company on September 12, 2012. The notes matured on September 12, 2013.

Other receivables include advances to third party companies which are collectible on demand. This also includes despatch receivables which are generally on seven (7)-day to thirty (30)-days' terms.

The Group has US$ denominated trade and other receivables amounting to $11.5 million, equivalent to ₱538.1 million, and $13.4 million, equivalent to ₱552.1 million, as at December 31, 2013 and 2012, respectively (see Note 34).

Movements of allowance for impairment losses as at December 31, 2013 and 2012 are as follow:

2013	Trade	Others	Total
Balances at January 1	₱32,436	₱11,305	₱43,741
Provisions (see Note 28)	779	1,488	2,267
Write-off	(4,316)	–	(4,316)
Reversal (see Note 29)	(4,769)	–	(4,769)
Foreign exchange adjustments	2,020	–	2,020
Balances at December 31	₱26,150	₱12,793	₱38,943

2012	Trade	Others	Total
Balances at January 1	₱224,141	₱10,494	₱234,635
Provisions (see Note 28)	–	811	811
Write-off	(186,035)	–	(186,035)
Foreign exchange adjustments	(5,670)	–	(5,670)
Balances at December 31	₱32,436	₱11,305	₱43,741

6. Inventories

	2013	2012
Beneficiated nickel ore and limestone ore - at cost	₱1,188,354	₱1,140,500
Beneficiated nickel ore - at NRV	343,559	331,239
Current portion of long-term stockpile inventory (see Note 12)	188,456	139,076
Materials and supplies:		
At NRV	253,631	352,077
At cost	70,469	41,296
	₱2,044,469	₱2,004,188

Movements of allowance for inventory losses in 2013 and 2012 follow:

2013	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱340,014	₱43,405	₱383,419
Provisions (see Note 29)	63,605	–	63,605
Reversals (see Note 29)	(69,966)	(2,802)	(72,768)
Balances at December 31	₱333,653	₱40,603	₱374,256

2012	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱360,052	₱43,405	₱403,457
Reversals (see Note 29)	(8,226)	–	(8,226)
Write-off	(11,812)	–	(11,812)
Balances at December 31	₱340,014	₱43,405	₱383,419

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱677.2 million and ₱671.3 million as at December 31, 2013 and 2012, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱294.2 million and ₱395.5 million as at December 31, 2013 and 2012, respectively.

Costs of inventories charged as expense amounted to ₱4,788.0 million, ₱4,738.5 million and ₱3,574.8 million in 2013, 2012 and 2011, respectively (see Notes 20 and 22).

7. AFS Financial Assets

	2013	2012
Quoted instruments:		
Debt securities	₱1,318,364	₱1,020,750
Equity securities	201,830	188,544
Unquoted equity securities	918,744	918,744
	2,438,938	2,128,038
Less noncurrent portion	1,181,568	1,041,934
	₱1,257,370	₱1,086,104

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

The movements in AFS financial assets account follow:

	2013	2012
Balances at January 1	₱2,128,038	₱1,568,861
Additions	374,074	574,747
Disposals	(109,713)	(71,263)
Effect of changes in foreign exchange rate (see Note 29)	860	(11,217)
Valuation gains on AFS financial assets	45,679	66,910
Balances at December 31	₱2,438,938	₱2,128,038

The movements in "Net valuation gains on AFS financial assets" presented as a separate component of equity follow:

	2013	2012
Balances at January 1	₱65,199	₱20,889
Movements recognized in equity:		
Gains recognized in equity	52,987	73,400
Reclassification adjustments for income included in the consolidated statements of income (see Note 27)	(7,308)	(6,490)
Income tax effect	(15,636)	(16,048)
Valuation gains taken into the consolidated statements of comprehensive income	30,043	50,862
Non-controlling interests in losses (gains) recognized in equity	4,264	(6,552)
Balances at December 31	₱99,506	₱65,199

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, golf club shares and debt securities. As at December 31, 2013 and 2012, quoted debt and equity securities amounting to ₱1,257.4 million and ₱1,086.1 million, respectively, were classified as current based on management's intention to dispose the instruments within one (1) year from the end of the reporting period.

The noncurrent portion of AFS financial assets amounted to ₱1,181.6 million and ₱1,041.9 million as at December 31, 2013 and 2012, respectively. As at December 31, 2013, the Group has no intention to dispose its unquoted equity shares within the next year.

Dividend income earned from AFS equity securities amounted to ₱62.7 million, ₱192.7 million and ₱436.4 million in 2013, 2012 and 2011, respectively, of which ₱60.5 million, ₱191.9 million and ₱434.2 million relates to dividends coming from investments in unquoted securities (see Note 29), while interest income from AFS debt securities amounted to ₱12.0 million, ₱20.7 million and ₱8.5 million in 2013, 2012 and 2011, respectively (see Note 27).

The valuation gains of ₱30.0 million, ₱50.9 million and valuation losses of ₱16.4 million is net of share of non-controlling interests amounting to a valuation loss of ₱4.3 million and valuation gains of ₱6.6 million and ₱0.3 million as at December 31, 2013, 2012 and 2011, respectively.

The Group uses the specific identification method in determining the cost of securities sold.

No impairment loss was recognized on the Group's AFS unquoted equity securities in 2013 and 2012.

8. Prepayments and Other Current Assets

	2013	2012
Input tax (net of allowance for impairment losses of nil and ₱0.9 million in 2013 and 2012, respectively)	₱106,050	₱84,768
Prepaid taxes	69,744	34,635
Prepaid insurance	27,398	7,217
Prepaid rent and others	11,459	4,336
Advances and deposits	7,244	20,372
Tax credit certificates (net of allowance for impairment losses of ₱0.5 million and nil in 2013 and 2012, respectively; see Note 29)	3,517	6,616
	₱225,412	₱157,944

9. Property and Equipment

2013	Land	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost						
Balances at January 1	₱252,458	₱591,689	₱6,323,765	₱2,384,412	₱349,073	₱9,901,397
Additions	1,831	–	1,049,144	179,888	700,262	1,931,125
Transfers/reclassification	–	–	23,272	193,388	(220,207)	(3,547)
Disposals	–	–	(132,160)	(43,567)	(19,483)	(195,210)
Balances at December 31	254,289	591,689	7,264,021	2,714,121	809,645	11,633,765
Accumulated depreciation and depletion						
Balances at January 1	–	199,239	3,043,613	708,617	–	3,951,469
Depreciation, amortization and depletion (see Note 26)	–	14,565	1,072,718	173,318	–	1,260,601
Transfers/reclassification	–	–	(338)	–	–	(338)
Disposals	–	–	(104,660)	(59,059)	–	(163,719)
Balances at December 31	–	213,804	4,011,333	822,876	–	5,048,013
Net book values	₱254,289	₱377,885	₱3,252,688	₱1,891,245	₱809,645	₱6,585,752

2012	Land	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost						
Balances at January 1	₱242,237	₱408,125	₱4,072,444	₱2,341,263	₱135,523	₱7,199,592
Additions	10,214	126,307	2,242,044	31,707	282,706	2,692,978
Adjustment for capitalized cost of mine rehabilitation and decommissioning	–	57,257	–	–	–	57,257
Transfers/reclassification	7	–	16,993	11,442	(64,721)	(36,279)
Disposals	–	–	(7,716)	–	(4,435)	(12,151)
Balances at December 31	252,458	591,689	6,323,765	2,384,412	349,073	9,901,397
Accumulated depreciation and depletion						
Balances at January 1	–	179,358	2,253,169	550,227	–	2,982,754
Depreciation, amortization and depletion (see Note 26)	–	19,881	795,560	158,941	–	974,382
Disposals	–	–	(5,116)	(551)	–	(5,667)
Balances at December 31	–	199,239	3,043,613	708,617	–	3,951,469
Net book values	₱252,458	₱392,450	₱3,280,152	₱1,675,795	₱349,073	₱5,949,928

Pier facilities (included under "Buildings and improvements") with a carrying value of ₱150.3 million and ₱195.6 million as at December 31, 2013 and 2012, respectively, were mortgaged as collateral for the long-term debt of RTN as mentioned in Note 15.

Depreciation on the excess of the fair value of the assets acquired from RTN over their corresponding book values transferred to retained earnings amounted to ₱0.4 million in 2013, 2012 and 2011.

10. Investment Properties

	2013	2012
Cost:		
Balances at January 1	**₱142,151**	₱116,096
Additions	**–**	26,055
Disposals	**(112,491)**	–
Reclassification	**(660)**	–
Balances at December 31	**29,000**	142,151
Accumulated depreciation:		
Balances at January 1	**69,960**	62,459
Depreciation (see Note 26)	**2,050**	7,501
Disposals	**(72,010)**	–
Balances at December 31	**–**	69,960
Net book values	**₱29,000**	₱72,191

Investment properties consist of condominium units rented out as office spaces and parcels of land located in Surigao City which is intended for leasing to THNC in the future. Rental income in 2013, 2012 and 2011 amounting to ₱6.0 million, ₱11.7 million and ₱11.2 million, respectively, are included under "Services and others" in the consolidated statements of income. Direct operating expenses in 2013, 2012 and 2011 amounted to ₱0.8 million, ₱6.6 million and ₱10.1 million, respectively, were included under "General and administrative expenses".

The estimated fair value of investment properties, excluding the land located in Surigao City, amounted to nil and ₱234.8 million as at December 31, 2013 and 2012, respectively. The fair value is determined using the approximate current selling price of the same type of building in Makati Central Business District.

The fair value of the land approximates its carrying value as at December 31, 2013 and 2012.

In 2013, investment properties with carrying amount of ₱40.5 million were sold for ₱185.6 million resulting to a gain of ₱145.1 million (see Note 29).

11. Investment in an Associate

The Parent Company, together with Sumitomo Metal Mining Co., Ltd. (SMM) and Mitsui and Co., Ltd. (Mitsui) signed a Stockholders' Agreement on September 15, 2010, dividing the ownership of THNC, into twenty-two and a half percent (22.5%), sixty-two and a half percent (62.5%) and fifteen percent (15.0%), respectively.

On November 4, 2010, pursuant to the terms of the above Agreement, the Parent Company entered into a subscription agreement with THNC for the subscription of 921,375,000 common shares for the total amount of US$102.4 million or ₱4,443.1 million, equivalent to 22.5% interest in THNC.

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. Its principal activities consist of the manufacture and export of nickel/cobalt mixed sulfide. THNC has started commercial operations in October 2013.

The following are the summarized financial information of THNC as at December 31, 2013 and 2012. THNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱44.40 and US$1 = ₱41.05 as at December 31, 2013 and 2012, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱42.43 and US$1 = ₱42.24 for the statements of income accounts in 2013 and 2012, respectively.

	2013	2012
Current assets	₱6,837,555	₱1,857,348
Noncurrent assets	67,486,190	56,899,567
Current liabilities	(7,823,555)	(566,681)
Noncurrent liabilities	(48,674,289)	(40,930,006)
Net assets	₱17,825,901	₱17,260,228
Revenue	₱577,756	₱105,714
Expenses	1,381,329	615,219
Net loss	₱803,573	₱509,506

Movements in the investment in an associate follow:

	2013	2012
Acquisition cost	₱4,443,075	₱4,443,075
Accumulated equity in net earnings:		
Balances at beginning of year	(317,237)	(202,598)
Equity in net losses	(184,703)	(114,639)
	(501,940)	(317,237)
Share in cumulative translation adjustment:		
Balances at beginning of year	(136,909)	131,390
Movement	307,900	(268,299)
	170,991	(136,909)
Balances as at December 31	₱4,112,126	₱3,988,929

The balance of investment in an associate includes goodwill of ₱105.4 million as at December 31, 2013 and 2012, while the share in cumulative translation adjustment of an associate is gross of deferred income tax liability of ₱30.8 million and nil, respectively (see Note 33).

12. Long-term Stockpile Inventory

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN. The low grade ore inventory was initially recognized and valued at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 31a). Subsequently, this fair value represented the cost of the long-term stockpile inventory. The fair value of the inventory as at the date of acquisition amounted to ₱2,036.7 million.

The cost of the long-term stockpile inventory is periodically charged to cost of sales based on the actual tonnage delivered to CBNC from the long-term stockpile. The amounts of ₱235.2 million, ₱133.0 million and ₱143.2 million were charged to "Cost of sales" in 2013, 2012 and 2011, respectively (see Note 20).

A portion amounting to ₱188.5 million and ₱139.1 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next reporting period, were shown as part of "Inventories" as at December 31, 2013 and 2012, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱981.5 million and ₱1,266.0 million as at December 31, 2013 and 2012, respectively.

13. Other Noncurrent Assets

	2013	2012
Input tax - net of current portion	**₱448,466**	₱412,254
Advances to claimowners (see Note 36e)	**235,922**	208,155
Deferred mine exploration costs	**197,028**	142,392
MRF	**125,467**	134,288
Deposit for aircraft acquisition	**98,924**	–
Cash held in escrow (see Note 4)	**65,118**	64,228
Long-term negotiable instruments	**30,000**	30,000
SDMP fund	**16,999**	2,563
Pension asset (see Note 32)	**–**	56,986
Others	**20,861**	11,405
	1,238,785	1,062,271
Less allowance for impairment losses	**160,645**	16,490
	₱1,078,140	₱1,045,781

Input tax represents the value-added tax (VAT) paid on purchases of applicable goods and services, net of output tax, which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Advances to claimowners represent advance royalty payments to East Coast Mineral Resources Co., Inc. (East Coast), La Salle Mining Exploration Company (La Salle), Kepha Mining Exploration Company (Kepha) and Ludgoron Mining Corporation (Ludgoron; see Note 36e).

Deferred mine exploration costs include mining rights of ₱32.3 million as at December 31, 2013 and 2012.

MRF is the amount deposited in local bank accounts established by the Group in compliance with the requirements of the Philippine Mining Act of 1995 as amended by Department of Environment and Natural Resources Administrative Order No. 2005-07. The MRF is earmarked for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. Any disbursement in the MRF should be authorized by the MRF Committee, the external overseeing body charged with the duties of managing, operating, monitoring and looking after the safety of the MRF. The MRF earns interest at the respective bank deposit rates.

RTN's deposit for aircraft acquisition pertains to advance payments made to World Aviation Corporation in 2013, for an absolute and exclusive right to purchase an aircraft exercisable within twelve (12) years.

The long-term negotiable instrument earns interest at 5.25% per annum and will mature in October 2019.

The SDMP fund shall be used for the sustainable development of the host and neighboring communities of the mine site, namely, Barangays Taganito, Hayanggabon, Urbiztondo and Cagdianao. In 2012, the fund was extended to the ten-non mining barangays within the Municipality of Claver and to the Province of Surigao del Norte. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the Mines and Geosciences Bureau (MGB).
Movements of allowance for impairment losses in 2013 and 2012 follow:

2013	**Advances to claimowners**	**Deferred mine exploration costs**	**Total**
Balances at January 1	**₱16,490**	**₱–**	**₱16,490**
Provisions (see Note 29)	**–**	**144,155**	**144,155**
Balances at December 31	**₱16,490**	**₱144,155**	**₱160,645**

2012	Advances to claimowners	Deferred mine exploration costs	Total
Balances at January 1	₱21,400	₱61,376	₱82,776
Write-off	(4,910)	(61,376)	(66,286)
Balances at December 31	₱16,490	₱–	₱16,490

14. Trade and Other Payables

	2013	2012
Trade (see Note 31)	**₱475,971**	₱403,250
Accrued expenses (see Note 31)	**241,222**	254,400
Excise tax and royalties	**87,434**	114,591
Withholding taxes	**50,446**	38,811
Retention payable	**34,168**	446
Unearned income	**4,563**	8,677
Others (see Note 31)	**34,309**	43,840
	₱928,113	₱864,015

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled in less than thirty (30) days' term. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties. Withholding taxes are payable ten (10) days after the end of each month.

Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business. Accrued expenses substantially consist of contractor's fees and rental which are usual in the business operations of the Group.

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

The Group has US$ denominated trade and other payables amounting to $1.4 million, equivalent to ₱63.4 million, and $1.2 million, equivalent to ₱50.5 million as at December 31, 2013 and 2012, respectively (see Note 34).

15. Long-term Debt

	2013	2012
TMC	**₱1,359,597**	₱1,328,994
RTN	**179,000**	210,295
	1,538,597	1,539,289
Less noncurrent portion:		
TMC	**1,281,906**	1,257,156
RTN	**139,222**	165,514
	1,421,128	1,422,670
Current portion	**₱117,469**	₱116,619

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to $35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone (TSEZ). The loan shall be drawn down in one or multiple times by July 31, 2011. As at December 31, 2013 and 2012, the total loan drawn down by TMC amounted to $35.0 million.

Starting 2012, the interest on the loan is payable semi-annually in October 10 and April 10. The total principal is payable in semi-annual installments of $0.9 million starting on October 10, 2011 up to April 10, 2031.

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all governmental approvals necessary to perform the obligations. As at December 31, 2013 and 2012, TMC is in compliance with the restrictions.

Interest expense in 2013, 2012 and 2011 amounting to ₱33.5 million, ₱38.1 million and ₱27.6 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 21). In March 2011, TMC completed the construction of pier facilities and the related borrowing cost capitalized as part of the construction-in progress was ₱7.8 million. No borrowing costs were recognized after the completion of the construction.

RTN Loan

On November 25, 2002, RTN entered into an Omnibus Agreement with SMM, wherein the latter granted the former a loan facility amounting to US$1.8 million at prevailing 180-day LIBOR plus two percent (2%) spread, for the construction of the pier facilities.

In July 2003, an additional loan amounting to US$0.2 million was granted by SMM. Starting 2003, the interest on the original and additional loans is payable semi-annually on February 28 and August 31. The total principal is payable in 20 equal semi-annual installments starting on February 28, 2004 up to August 31, 2013. In February 2007, RTN and SMM agreed to an additional loan facility amounting to US$9.0 million. Of the total loan facility, the remaining US$0.5 million was drawn in February and March 2008. The additional loan facility is payable in semi-annual installments starting on August 31, 2008 up to February 28, 2018.

In consideration, and to ensure payment of these loans, RTN assigned, transferred, and set over to SMM, absolutely and unconditionally, all of RTN's rights, title, and interest over its future receivable from CBNC under the Throughput Agreement (see Note 36b). RTN also constituted a first ranking mortgage on the pier facilities (see Note 9).

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any governmental authority affecting RTN. As at December 31, 2013 and 2012, RTN is in compliance with the restrictions.

Interest expense amounted to ₱4.8 million, ₱6.5 million and ₱7.3 million in 2013, 2012 and 2011, respectively (see Note 28).

16. Provision for Mine Rehabilitation and Decommissioning

	2013	2012
~~Balances at January 1~~	~~₱132,522~~	~~₱61,726~~
~~Payments of rehabilitation cost~~	~~(10,149)~~	
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 28)	8,554	13,539
Effect of change in estimate (see Note 9)	–	57,257
Balances at December 31	₱130,927	₱132,522

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

The Group revised its estimate of the mine rehabilitation and decommissioning cost resulting to an adjustment on capitalized cost amounting to nil in 2013 and ₱57.3 million in 2012 (see Note 9).

17. Equity

Capital Stock

The capital structure of the Parent Company as at December 31, 2013 and 2012 is as follows:

	2013	2012
Common stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares		
Issued - 2,519,159,345 shares		
in 2013 and 2,013,476,263 in 2012	**₱1,259,580**	₱1,006,738
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
	₱1,266,780	₱1,013,938

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

Movements in common stock follow:

	2013	
	Number of Shares	Total
Balances at January 1	2,013,476,263	₱1,006,738
Declaration of stock dividends	503,831,864	251,916
Exercise of stock options (see Note 18)	1,851,218	926
Balances at December 31	2,519,159,345	₱1,259,580

	2012	
	Number of Shares	Total
Balances at January 1	1,339,831,828	₱669,916
Declaration of stock dividends	671,158,752	335,579
Exercise of stock options (see Note 18)	2,485,683	1,243
Balances at December 31	2,013,476,263	₱1,006,738

On June 16, 2010, the BOD and stockholders of the Parent Company approved the Executive Stock Option Plan (ESOP). On December 20, 2010, the Plan was approved by the SEC. Shares reserved for issue under the ESOP is 12 million shares. Basic terms and conditions of the ESOP are disclosed in Note 18.

On March 28, 2012 and June 8, 2012, the Company's BOD and stockholders, respectively, authorized and approved the increase in authorized capital stock from ₱800.0 million to ₱2,139.7 million.

Issued Capital Stock

The IPO of the Parent Company's shares with an offer price of ₱15.00 per share, which is equivalent to ₱8.00 per share after the stock dividends, resulted to the issuance of 217,183,818 common shares and reissuance of 132,991,182 shares held in treasury.

In October 2010, shares were issued to Sumitomo Metal Mining Philippine Holdings Corporation (SMMPHC), Nickel Asia Holdings, Inc. (NAHI) and the President of the Parent Company pursuant to the Subscription Agreement entered into on September 24, 2010 whereby:

- SMMPHC subscribed to 13,169,982 common shares of the Parent Company for a consideration of ₱206.8 million.
- The Parent Company's President subscribed to 1,855,000 common shares of the Parent Company for a consideration of ₱26.9 million.
- NAHI subscribed to 720,000,000 preferred shares of the Parent Company for a consideration of ₱7.2 million.

As at December 31, 2013 and 2012, the Parent Company has forty-five (45) and forty-one (41) stockholders, respectively.

As at December 31, 2013 and 2012, a total of 803,135,234 or 32% and 657,060,167 or 33%, respectively, of the outstanding common shares of the Parent Company are registered in the name of forty-three (43) and thirty-nine (39) shareholders, respectively, while the balance of 1,716,024,111 common shares or 68% and 1,356,416,096 common shares or 67%, respectively, are lodged with the Philippine Depository, Inc. (now known as Philippine Depository and Trust Corporation).

Dividends

Cash Dividends

On April 5, 2013, the Parent Company's BOD declared cash dividends amounting to ₱705.3 million, equivalent to ₱0.35 per share, to stockholders of record as at April 22, 2013 which were paid on May 14, 2013.

On March 28, 2012, the Parent Company's stockholders declared cash dividends amounting to ₱1,073.5 million, equivalent to ₱0.80 per share, to stockholders of record as at April 16, 2012, which were paid on May 11, 2012.

On October 25, 2011, the Parent Company's BOD declared special cash dividends amounting to ₱201.0 million, equivalent to ₱0.15 per share, to stockholders of record as at November 11, 2011, which were paid on December 8, 2011.

On March 25, 2011, the Parent Company's BOD declared cash dividends amounting to ₱468.9 million, equivalent to ₱0.35 per share, to stockholders of record as at April 11, 2011. The dividends were paid on May 9, 2011.

Stock Dividends
On June 3, 2013, the Parent Company's stockholders declared twenty-five percent (25%) stock dividends on the outstanding common shares amounting to ₱251.9 million, equivalent to ₱0.50 per share, to stockholders of record as at June 18, 2013 which were issued on July 12, 2013.

On June 8, 2012, the Parent Company's stockholders declared fifty percent (50%) stock dividends on the outstanding common shares amounting to ₱335.6 million to stockholders of record as at August 29, 2012 to support the increase in authorized capital stock. The stock dividends correspond to 671.2 million common shares at the issue price equivalent to the par value of ₱0.50 per share. The stock dividends were issued on September 24, 2012.

Appropriated Retained Earnings
On November 5, 2013, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,000.0 million, for the construction, operation and maintenance of a bunker-fired diesel power station (see Note 36g).

18. Executive Stock Option Plan

On June 16, 2010, the BOD and stockholders of the Parent Company approved the ESOP. On December 20, 2010, the Plan was approved by the SEC.

The basic terms and conditions of the ESOP are:
- The ESOP covers up to 12.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
- The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with a position of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
- The exercise price is ₱13.50.
- The grant date of the Plan is January 3, 2011 as determined by the Stock Option Committee.
- The term of the Plan shall be six (6) years and the shares will vest to the participant at the rate of twenty five-percent (25%) per year after the first year of the Plan or December 21, 2011.
- The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The stock option agreement was made and executed on January 31, 2011 between the Parent Company and the option grantees.

The fair value of the stock options is ₱6.44, which was estimated as at grant date, January 3, 2011, using the Black Scholes-Merton model, taking into account the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the stock options at effective grant date:

Grant Date	January 3, 2011
Spot price per share	₱15.0
Exercise price	13.5
Expected volatility	60.34%
Option life	3.967 years
Dividend yield	2.06%
Risk-free rate	4.50%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Except for the effect of stock dividends, there have been no modifications or cancellations in 2013 and 2012.

The following table illustrates the number of, and movements in, stock options:

	Number of Options		Weighted Average Exercise Price	
	2013	2012	2013	2012
January 1	13,971,473	11,503,912	₱9.00	₱13.50
Exercised (see Note 17)	(1,851,218)	(2,485,683)	9.00	13.50
Forfeited	–	(450,000)	–	13.50
Granted	–	746,088	–	13.50
Stock dividends	3,030,058	4,657,156	7.20	9.00
December 31	15,150,313	13,971,473	₱7.20	₱9.00

In 2013 and 2012, the number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) and fifty percent (50%) stock dividends, respectively (see Note 17).

The number of exercisable vested stock options as at December 31, 2013 and 2012 are 9,851,885 and 5,233,977, respectively.

On September 2, 2013 and March 19, 2013, the SEC approved the exemption from registration of 3,030,058 and 4,457,156 common shares, respectively, which shall form part of the ESOP.

In 2013 and 2012, the weighted average stock price at exercise dates was ₱26.62 and ₱28.16, respectively, which is equivalent to ₱21.30 and ₱15.02 per share after the effect of stock dividends, respectively.

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

	2013	2012
Balances at beginning of year	₱57,464	₱64,308
Cost of share-based payment recognized as capital upon exercise	(18,309)	(9,603)
Stock option expense (see Note 25)	10,369	2,759
Movements during the year	(7,940)	(6,844)
Balances at end of year	₱49,524	₱57,464

The weighted average remaining contractual life of options outstanding is two and a half (2.5) years and three and a half (3.5) years as at December 31, 2013 and 2012, respectively.

In 2013, 2012 and 2011, the cost of share-based payments expense amounting to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively (see Note 25).

19. Earnings Per Share

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

	2013	2012	2011
Net income attributable to equity holders of the parent	₱2,053,674	₱2,207,210	₱3,537,782
Preferred stock dividends	504	504	504
Net income attributable to equity holders of the parent for basic earnings	2,053,170	2,206,706	3,537,278
Dividends on dilutive potential ordinary shares	–	474	–
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	₱2,053,170	₱2,206,232	₱3,537,278
Weighted average number of common shares for basic EPS	2,518,547,419	2,515,828,227	2,512,184,677
Effect of dilution from share options	11,250,000	6,093,750	5,625,000
Weighted average number of common shares adjusted for the effect of dilution	2,529,797,419	2,521,921,977	2,517,809,677
Basic EPS	₱0.82	₱0.88	₱1.41
Diluted EPS	₱0.81	₱0.88	₱1.40

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

20. Cost of Sales

	2013	2012	2011
Production overhead	₱1,938,349	₱1,986,973	₱1,594,701
Outside services	869,379	1,194,218	931,168
Depreciation and depletion (see Note 26)	830,512	615,090	423,621
Personnel costs (see Note 25)	669,699	614,390	626,309
Long-term stockpile inventory (see Note 12)	235,169	132,997	143,184
	4,543,108	4,543,668	3,718,983
Net changes in beneficiated nickel ore and limestone ore	(53,814)	(76,453)	(369,293)
	₱4,489,294	₱4,467,215	₱3,349,690

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

21. Cost of Services

	2013	2012	2011
Depreciation and depletion (see Note 26)	₱133,040	₱100,726	₱72,769
Equipment operating cost	76,058	78,681	65,027
Personnel costs (see Note 25)	63,836	36,869	32,847
Overhead	49,962	15,575	17,331
Outside services	12,396	28,548	26,286
	₱335,292	₱260,399	₱214,260

Equipment operating cost includes interest expense amounting to ₱33.5 million, ₱38.1 million and ₱27.6 million in 2013, 2012 and 2011, respectively (see Note 15).

22. Shipping and Loading Costs

	2013	2012	2011
Contract fees	₱801,402	₱857,455	₱769,647
Supplies and fuel, oil and lubricants	298,752	271,266	225,119
Depreciation and depletion (see Note 26)	155,810	123,670	102,526
Personnel costs (see Note 25)	72,219	61,865	84,523
Other services and fees	70,588	86,294	104,261
	₱1,398,771	₱1,400,550	₱1,286,076

23. Excise Taxes and Royalties

	2013	2012	2011
Royalties (see Notes 36e and 36j)	**₱439,098**	₱485,072	₱491,656
Excise taxes (see Note 36e)	**209,510**	222,865	244,606
	₱648,608	₱707,937	₱736,262

24. General and Administrative

	2013	2012	2011
Personnel costs (see Note 25)	**₱223,081**	₱173,819	₱276,641
Depreciation (see Note 26)	**84,705**	84,941	81,711
Taxes and licenses	**80,474**	66,199	31,942
Outside services	**67,750**	62,860	47,437
Transportation and travel	**20,246**	18,257	20,260
Entertainment, amusement and recreation	**13,720**	13,721	15,008
Communications, light and water	**11,882**	13,458	10,902
Repairs and maintenance	**9,528**	8,661	8,364
Others	**113,433**	85,665	85,160
	₱624,819	₱527,581	₱577,425

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

25. Personnel Costs

	2013	2012	2011
Salaries, wages and employee benefits	**₱963,293**	₱840,942	₱916,767
Pension cost (see Note 32)	**55,173**	43,242	40,346
Cost of share-based payment plan (see Note 18)	**10,369**	2,759	63,207
	₱1,028,835	₱886,943	₱1,020,320

The amounts of personnel costs are distributed as follows:

	2013	2012	2011
Cost of sales (see Note 20)	**₱669,699**	₱614,390	₱626,309
General and administrative (see Note 24)	**223,081**	173,819	276,641
Shipping and loading costs (see Note 22)	**72,219**	61,865	84,523
Cost of services (see Note 21)	**63,836**	36,869	32,847
	₱1,028,835	₱886,943	₱1,020,320

26. Depreciation and Depletion

	2013	2012	2011
Property and equipment (see Note 9)	**₱1,260,601**	₱974,382	₱724,613
Investment properties (see Note 10)	**2,050**	7,501	9,208
	₱1,262,651	₱981,883	₱733,821

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

	2013	2012	2011
Cost of sales (see Note 20)	**₱830,512**	₱615,090	₱423,621
Shipping and loading costs (see Note 22)	**155,810**	123,670	102,526
Cost of services (see Note 21)	**133,040**	100,726	72,769
General and administrative (see Note 24)	**84,705**	84,941	81,711
Others	**58,584**	57,456	53,194
	₱1,262,651	₱981,883	₱733,821

27. Finance Income

	2013	2012	2011
Interest income (see Notes 4, 7 and 32)	**₱159,445**	₱226,414	₱208,436
Gain on:			
Sale of AFS financial assets (see Note 7)	**7,308**	6,490	–
Sale of investment funds	**–**	2,136	–
	₱166,753	₱235,040	₱208,436

28. Finance Expenses

	2013	2012	2011
Guarantee service fee (see Note 36f)	**₱104,235**	₱83,987	₱26,636
~~Interest expense (see Notes 15 and 32)~~	~~**13,242**~~	~~16,199~~	~~7,346~~
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**8,554**	13,539	10,355
Provision for impairment losses on trade and other receivables (see Note 5)	**2,267**	811	3,962
Loss on sale of AFS financial assets	**–**	–	18,316
	₱128,298	₱114,536	₱66,615

29. Other Income - Net

	2013	2012	2011
Gain (loss) on:			
Sale of investment properties (see Note 10)	₱145,095	₱–	₱–
Sale of property and equipment	82,005	1,369	(2,896)
Casualty	(7,439)	–	(239,459)
Write off of input VAT	(6,752)	(5,068)	–
Long-term stockpile inventory write-up	–	–	573,090
Reversals of allowance for (provisions for):			
Impairment of deferred mine and exploration costs (see Note 13)	(144,155)	–	(61,853)
Impairment losses on beneficiated nickel ore inventory (see Note 6)	9,163	8,226	(19,141)
Impairment losses on trade and other receivables (see Note 5)	4,769	–	–
Impairment losses on input VAT (see Note 8)	(530)	–	(914)
Impairment of advances to claimowners	–	–	(21,400)
Dividend income (see Note 7)	62,654	192,720	436,369
Foreign exchange gains (losses) -net	53,293	(123,466)	39,695
Despatch (demurrage)	49,134	70,567	(63,219)
Special projects	28,375	79,791	7,432
Issuance of fuel, oil and lubricants	8,209	22,511	12,804
Other services	4,766	6,489	7,347
Rentals and accommodations	4,209	4,178	4,296
Others - net	16,987	42,945	73,049
	₱309,783	₱300,262	₱745,200

Others include pension income recognized by a subsidiary as determined by the Group's actuary and miscellaneous services provided to CBNC on per job order basis, net of related cost incurred.

Breakdown of the foreign exchange gains (losses) - net follow:

	2013	2012	2011
Realized foreign exchange gains (losses)	**₱90,798**	(₱142,786)	₱12,801
Unrealized foreign exchange gains (losses) on:			
Cash and cash equivalents	**77,129**	(54,282)	8,358
Trade and other receivables	**4,370**	(22,249)	3,062
AFS financial assets	**860**	(11,217)	17,074
Trade and other payables	**(504)**	1,181	59
Long-term debt	**(119,636)**	105,793	(1,659)
Other accounts	**276**	94	–
	₱53,293	(₱123,466)	₱39,695

30. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

	Principal Place of Business	2013	2012
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material non-controlling interest:

	2013	2012
RTN	**₱2,297,884**	₱2,418,262
TMC	**1,677,390**	1,429,277

Net income attributable to material non-controlling interest:

	2013	2012
RTN	**₱380,490**	₱605,383
TMC	**262,465**	380,495

Other comprehensive income (loss) attributable to material non-controlling interest:

	2013	2012
RTN	**(₱21,205)**	₱24,481
TMC	**(15,195)**	7,396

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized statements of comprehensive income for the year ended December 31, 2013:

	RTN	TMC
Revenues	**₱3,535,178**	**₱3,370,272**
Cost of sales and services	**(1,932,816)**	**(1,307,120)**
Operating expenses	**(579,759)**	**(974,615)**
Other income - net	**204,041**	**3,364**
Finance income - net	**42,854**	**8,676**
Income before income tax	**1,269,498**	**1,100,577**
Provision for income tax	**(318,274)**	**(350,677)**
Net income	**951,224**	**749,900**
Other comprehensive loss	**(53,013)**	**(43,413)**
Total comprehensive income	**₱898,211**	**₱706,487**
Attributable to non-controlling interests	**₱292,940**	**₱247,270**
Dividends paid to non-controlling interests	**480,000**	**–**

Summarized statements of comprehensive income for the year ended December 31, 2012:

	RTN	TMC
Revenues	₱4,351,141	₱3,218,567
Cost of sales and services	(2,219,040)	(1,113,332)
Operating expenses	(556,128)	(769,547)
Other income - net	242,977	78,768
Finance income - net	57,119	20,692
Income before income tax	1,876,069	1,435,148
Provision for income tax	(423,814)	(369,150)
Net income	1,452,255	1,065,998
Other comprehensive income	61,202	21,132
Total comprehensive income	₱1,513,457	₱1,087,130
Attributable to non-controlling interests	₱566,985	₱380,495
Dividends paid to non-controlling interests	600,000	–

Summarized statements of financial position as at December 31, 2013:

	RTN	TMC
Current assets	**₱3,690,031**	**₱2,502,364**
Noncurrent assets	**2,621,293**	**4,263,406**
Current liabilities	**(372,054)**	**(414,052)**
Noncurrent liabilities	**(194,561)**	**(1,559,176)**
Total equity	**₱5,744,709**	**₱4,792,542**
Attributable to equity holders of parent	**₱3,446,825**	**₱3,115,152**
Non-controlling interest	**2,297,884**	**1,677,390**

Summarized statements of financial position as at December 31, 2012:

	RTN	TMC
Current assets	₱3,739,779	₱2,577,490
Noncurrent assets	2,976,186	3,348,574
Current liabilities	(469,818)	(366,924)
Noncurrent liabilities	(200,493)	(1,475,491)
Total equity	₱6,045,654	₱4,083,649
Attributable to equity holders of parent	₱3,627,392	₱2,654,372
Non-controlling interest	2,418,262	1,429,277

Summarized cash flow information for the year ended December 31, 2013:

	RTN	**TMC**
Operating	**₱1,569,339**	**₱888,778**
Investing	**(121,040)**	**(1,322,766)**
Financing	**(1,244,781)**	**(108,874)**
Net increase (decrease) in cash and cash equivalents	**₱203,518**	**(₱542,862)**

Summarized cash flow information for the year ended December 31, 2012:

	RTN	TMC
Operating	₱1,643,112	₱1,152,222
Investing	(1,275,849)	(954,751)
Financing	(1,547,825)	(112,203)
Net increase (decrease) in cash and cash equivalents	(₱1,180,562)	₱85,268

31. Related Party Transactions

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

Set out on next page are the Group's transactions with related parties in 2013, 2012 and 2011, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2013 and 2012.

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	2013	2012	2013	2012	2013	2012	2013	2012		
Stockholders													
Pacific Metals Co., Ltd. (PAMCO)													
Sale of ore and services	**₱1,269,780**	₱2,086,909	₱2,061,853	**₱5,948**	₱61,914	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Dividends paid	**480,000**	600,000	–	**–**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Fully paid
Draft survey fee	**295**	388	–	**54**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**1,080**	–	–	**1,080**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM													
Sale of ore	**42,040**	125,687	407,300	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee fee	**103,351**	82,668	–	**–**	–	**39,549**	32,548	**–**	–	**–**	–	Every twenty first (21) of February and August	Unsecured
Short-term advances	**1,783**	–	–	**–**	–	**–**	–	**532**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount 2013	Amount 2012	2011	Trade and Other Receivables (see Note 5) 2013	Trade and Other Receivables (see Note 5) 2012	Trade and Other Payables (see Note 14) 2013	Trade and Other Payables (see Note 14) 2012	Amounts Owed by Related Parties (see Note 5) 2013	Amounts Owed by Related Parties (see Note 5) 2012	Long-term Debt (see Note 15) 2013	Long-term Debt (see Note 15) 2012	Terms	Conditions
Stockholders													
SMM													
Additional loan facility	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱179,001	₱210,295	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
NAHI													
Short-term advances	100	106	–	–	–	–	–	–	7,564	–	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends payable	504	504	504	–	–	2,016	1,512	–	–	–	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
With Common Stockholders													
CBNC													
Sale of ore and services	1,744,600	1,695,491	2,286,240	200,454	312,268	–	–	–	–	–	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	52,445	56,721	–	23,983	24,597	–	–	–	–	–	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Dividend received	60,480	191,880	–	–	–	–	–	–	–	–	–	Collectible within 30 days from declaration date; noninterest-bearing	Fully collected

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	2013	2012	2013	2012	2013	2012	2013	2012		
With Common Stockholders													
CBNC													
Other income	₱8,846	₱40,489	₱–	₱26,066	₱48,832	₱–	₱–	₱–	₱–	₱–	₱–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	625	–	–	–	–	–	–	63	–	–	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Manta Equities, Inc.													
Rentals, dues and utilities	13,542	–		1,288		1,451						Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	7,896	–	–	2,292	–	–	–	–	–	–	–	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	1,147	28	–	745	–	–	–	83	76	–	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Associate													
THNC													
Sale of ore	237,071	–	–	75,638	–	–	–	–	–	–	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	125,003	124,702	110,045	31,146	28,920	–	–	–	–	–	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 31a)	124,523	–	–	42,705	–	–	–	–	–	–	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	6,703	–	–	–	–	–	–	–	–	–	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	2013	2012	2013	2012	2013	2012	2013	2012		
THNC													
Associate													
Additional loan facility	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱1,359,596	₱1,328,994	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Short-term advances	22,180	21,446	12,492	–	–	–	–	8,534	6,611	–	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱411,399	₱476,531	₱43,016	₱34,060	₱9,212	₱14,251	₱1,538,597	₱1,539,289		

Terms and Conditions of Transactions with Related Parties
All sales and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2013, 2012 and 2011 pertain to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on the CBNC and THNC Loan Obligations (see Note 36f), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO
HMC, CMC and TMC supply saprolite ore to PAMCO under renewable annual agreements. PAMCO is a stockholder of the Parent Company and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dryweight and applicable assay have been determined. Outstanding balances as at December 31, 2013 and 2012 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of "Trade and other receivables" and is expected to be collected subsequently.

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

Nickel Ore Sale Agreement with SMM
On April 1, 2011, RTN, TMC, HMC, CMC and SMM entered into an agreement to supply nickel ore to the latter. The agreement shall be valid from April 2011 and shall continue to be valid and in effect until December 2015.

Nickel Ore Supply Agreement with CBNC
RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay High Pressure Acid Leach (HPAL) facility. CBNC is the owner of the Coral Bay HPP facility. Receivable from CBNC is included as part of "Trade and other receivables" and is expected to be collected subsequently.

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

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

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

b. Stockholder Agreements

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

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

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

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

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

As at December 31, 2013, RTN owns 10% of CBNC's outstanding capital stock. In February 2014, RTN declared as property dividends its shares of stock in CBNC to the Parent Company. (see Note 37).

c. Other Agreements

Funding Commitment with SMM
RTN's long-term debt was incurred to complete infrastructure projects to support the development of the Coral Bay HPAL facility. These projects included the causeway, trestles and dolphins in the Rio Tuba foreshore and offshore areas (see Note 15).

Funding Commitment with THNC

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

d. Compensation of Key Management Personnel

The Group considers as key management personnel all employees holding managerial positions up to the president. The short-term benefits of key management personnel of the Group in 2013, 2012 and 2011 amounted to about ₱162.6 million, ₱145.8 million and ₱161.2 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱4.1 million in 2013, ₱5.5 million in 2012 and ₱4.1 million in 2011, respectively. Cost of share-based payments of key management personnel in 2013, 2012 and 2011 amounted to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively.

e. Lease Agreement

On March 18, 2013, the Group entered into a lease agreement with MEI for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. Rent expense pertaining to the lease amounted to ₱10.0 million and nil in 2013 and 2012, respectively.

Future minimum rent payable under the lease as at December 31, 2013 and 2012 are as follows:

	2013	2012
Within one (1) year	₱20,350	₱–
After one (1) year but not more than five (5) years	70,378	–
	₱90,728	₱–

32. Pension Costs

The Group has two (2) funded and three (3) unfunded, noncontributory defined benefit retirement plans covering substantially all of its employees.

Under the existing regulatory framework, Republic Act (RA) 7641, The Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the pension liabilities and pension asset recognized in the consolidated statements of financial position:

	2013	2012
Funded pension liabilities		
RTN	₱40,187	₱–
TMC	164,121	101,753
Unfunded pension liabilities		
NAC	23,214	–
CMC	31,418	24,985
HMC	20,135	9,794
	₱279,075	₱136,532

	2013	2012
Funded pension asset		
RTN	₱–	₱56,986

The following tables summarize the components of net pension costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans:

Changes in net defined benefit liability and fair value of plan assets in 2013, 2012 and 2011 and are as follows:

	December 31, 2013											
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2013	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Changes in the effect of asset ceiling	Subtotal	Contributions	December 31, 2013
RTN	₱306,001	₱24,602	₱20,715	₱45,317	(₱20,691)	₱–	₱54,110	₱9,492	₱–	₱63,602	₱–	₱394,229
TMC	171,213	21,500	10,769	32,269	(5,206)	–	43,138	(159)	–	42,979	–	241,255
Defined benefit liability	477,214	46,102	31,484	77,586	(25,897)	–	97,248	9,333	–	106,581	–	635,484
RTN	(370,170)	–	(24,360)	(24,360)	20,691	19,797	–	–	–	19,797	–	(354,042)
TMC	(69,460)	–	(4,520)	(4,520)	5,206	1,640	–	–	–	1,640	(10,000)	(77,134)
Fair value of plan assets	(439,630)	–	(28,880)	(28,880)	25,897	21,437	–	–	–	21,437	(10,000)	(431,176)
RTN	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
TMC	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
RTN	(56,986)	24,602	(3,158)	21,444	–	19,797	54,110	9,492	(7,670)	75,729	–	40,187
TMC	101,753	21,500	6,249	27,749	–	1,640	43,138	(159)	–	44,619	(10,000)	164,121
Pension liability	₱44,767	₱46,102	₱3,091	₱49,193	₱–	₱21,437	₱97,248	₱9,333	(₱7,670)	₱120,348	(₱10,000)	₱204,308

	December 31, 2012, as restated												
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							
	January 1, 2012 (As restated)	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Changes in the effect of asset ceiling	Subtotal	Contributions	December 31, 2012 (As restated)
RTN	₱349,890	₱24,984	₱24,212	₱49,196	(₱33,034)	₱–	(₱6,177)	(₱71,123)	₱17,249	₱–	(₱60,051)	₱–	₱306,001
TMC	153,774	13,785	9,150	22,935	(3,772)	–	–	(7,614)	5,890	–	(1,724)	–	171,213
Defined benefit liability	503,664	38,769	33,362	72,131	(36,806)	–	(6,177)	(78,737)	23,139	–	(61,775)	–	477,214
RTN	(320,181)	–	(21,933)	(21,933)	33,034	(34,561)	–	–	–	–	(34,561)	(26,529)	(370,170)
TMC	(57,879)	–	(3,629)	(3,629)	3,772	(1,724)	–	–	–	–	(1,724)	(10,000)	(69,460)
Fair value of plan assets	(378,060)	–	(25,562)	(25,562)	36,806	(36,285)	–	–	–	–	(36,285)	(36,529)	(439,630)
RTN	–	–	–	–	–	–	–	–	–	7,183	7,183	–	7,183
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	–	–	–	–	–	–	–	–	–	7,183	7,183	–	7,183
RTN	29,709	24,984	2,279	27,263	–	(34,561)	(6,177)	(71,123)	17,249	7,183	(87,429)	(26,529)	(56,986)
TMC	95,895	13,785	5,521	19,306	–	(1,724)	–	(7,614)	5,890	–	(3,448)	(10,000)	101,753
Pension asset	₱29,709	₱24,984	₱2,279	₱27,263	₱–	(₱34,561)	(₱6,177)	(₱71,123)	₱17,249	₱7,183	(₱87,429)	(₱26,529)	(₱56,986)
Pension liability	₱95,895	₱13,785	₱5,521	₱19,306	₱–	(₱1,724)	₱–	(₱7,614)	₱5,890	₱–	(₱3,448)	(₱10,000)	₱101,753

December 31, 2011, as restated

	January 1, 2011 (As restated)	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	Contributions	December 31, 2011 (As restated)
		Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income						
RTN	₱332,105	₱23,578	₱18,241	₱26,535	₱68,354	(₱40,204)	₱–	₱–	(₱4,065)	(₱6,300)	(₱10,365)	₱–	₱349,890
TMC	126,444	11,701	–	9,572	21,273	(12,338)	–	–	17,902	493	18,395	–	153,774
Defined benefit liability	458,549	35,279	–	36,107	89,627	(52,542)	–	–	13,837	(5,807)	8,030	–	503,664
RTN	(302,904)	–	–	(23,793)	(23,793)	40,204	(3,721)	–	–	–	(3,721)	(29,967)	(320,181)
TMC	(66,172)	–	–	(4,543)	(4,543)	12,338	498	–	–	–	498	–	(57,879)
Fair value of plan assets	(369,076)	–	–	(28,336)	(28,336)	52,542	(3,223)	–	–	–	(3,223)	(29,967)	(378,060)
RTN	–	–	–	–	–	–	–	–	–	–		–	
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	–	–	–	–	–	–	–	–	–	–	–	–	–
RTN	29,201	23,578	–	2,742	44,561	–	(3,721)	–	(4,065)	(6,300)	(14,086)	(29,967)	29,709
TMC	60,272	11,701	–	5,029	16,730	–	498	–	17,902	493	18,893	–	95,895
Pension liability	₱89,473	₱35,279	₱–	₱7,771	₱61,291	₱–	(₱3,223)	₱–	₱13,837	(₱5,807)	₱4,807	(₱29,967)	₱125,604

Changes in unfunded pension liability as at December 31, 2013, 2012 and 2011 are as follows:

December 31, 2013

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2013	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2013
NAC	₱–	₱4,382	₱–	₱4,382	₱–	₱–	₱–	₱18,832	₱18,832	₱23,214
CMC	24,985	2,943	1,579	4,522	(648)	(4,428)	5,794	1,193	2,559	31,418
HMC	9,794	1,746	648	2,394	–	–	2,783	5,164	7,947	20,135
Pension liability	₱34,779	₱9,071	₱2,227	₱11,298	(₱648)	(₱4,428)	₱8,577	₱25,189	₱29,338	₱74,767

December 31, 2012, as restated

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2012 (As restated)	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2012 (As restated)
CMC	₱20,614	₱2,494	₱1,237	₱3,731	(₱715)	₱–	(₱553)	₱1,908	₱1,355	₱24,985
HMC	10,847	1,979	671	2,650	(808)	(415)	(445)	(2,035)	(2,895)	9,794
Pension liability	₱31,461	₱4,473	₱1,908	₱6,381	(₱1,523)	(₱415)	(₱998)	(₱127)	(₱1,540)	₱34,779

December 31, 2011, as restated

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2011 (As restated)	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2011 (As restated)
CMC	₱19,726	₱2,960	₱1,545	₱4,505	₱–	₱–	₱2,482	(₱6,099)	(₱3,617)	₱20,614
HMC	10,482	2,107	843	2,950	–	–	(1,639)	(946)	(2,585)	10,847
Pension liability	₱30,208	₱5,067	₱2,388	₱7,455	₱–	₱–	₱843	(₱7,045)	(₱6,202)	₱31,461

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

2013	RTN	TMC
Fixed income securities	**54.83%**	**80.49%**
Investments in shares of stock	**17.24%**	**5.94%**
Others	**27.93%**	**13.57%**
	100.00%	**100.00%**

2012	RTN	TMC
Fixed income securities	72.30%	57.23%
Investments in shares of stock	23.30%	30.17%
Others	4.40%	12.60%
	100.00%	100.00%

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining the pension asset (liability) for the Group's plans are shown below:

2013	NAC	RTN	TMC	HMC	CMC
Discount rate	**4.81%**	**6.40%**	**4.77%**	**5.04%**	**4.71%**
Salary increase rate	**5.00%**	**5.00%**	**10.00%**	**5.00%**	**5.00%**

2012	NAC	RTN	TMC	HMC	CMC
Discount rate	–	6.77%	6.29%	6.62%	6.32%
Salary increase rate	–	5.00%	10.00%	5.00%	5.00%

2011	NAC	RTN	TMC	HMC	CMC
Discount rate	–	6.92%	7.57%	8.04%	6.00%
Salary increase rate	–	8.00%	10.00%	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	+100 basis points	(₱68,433)
	-100 basis points	81,796
Salary increase rate	+100 basis points	72,534
	-100 basis points	(62,379)

As at March 24, 2014, the Group has not yet reasonably determined the amount of 2014 contributions to the retirement fund.

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

	2013
Within the next twelve (12) months	₱36,272
Between two (2) and five (5) years	188,555
Between five (5) and ten (10) years	292,457
Total expected payments	₱517,284

The average duration of the defined retirement benefits liability as at December 31, 2013 is 16.8 years.

33. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of HMC, TMC and RTN and Minimum Corporate Income Tax (MCIT) of NAC, CMC and LCSLC in 2013, RCIT of HMC, TMC and RTN and MCIT of CMC and CEXCI in 2012, and RCIT of HMC, TMC, RTN, CMC, LCSLC and FEI in 2011, as follows:

	2013	2012	2011
HMC	**₱487,825**	₱428,994	₱170,455
TMC	**345,837**	399,002	408,179
RTN	**321,338**	424,336	852,466
CMC	**7,819**	11,936	185,053
NAC	**6,574**	–	–
LCSLC	**111**		3,596
CExCI	–	2	–
FEI	–	–	30
	₱1,169,504	₱1,264,270	₱1,619,779

SNMRC, CExCI and FEI were in gross and net taxable loss positions in 2013.

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

	2013	2012	2011
Income tax at statutory rates from non-PEZA registered activities	**₱1,785,374**	₱1,899,359	₱2,312,252
Income tax at statutory rates from PEZA registered activities	**(4,554)**	4,729	934
Add (deduct) tax effects of:			
Dividend income exempted from tax	**(534,152)**	(732,575)	(533,019)

(Forward)

	2013	2012	2011
Movements in deductible temporary differences for which deferred income taxes were recognized	(₱73,938)	(₱43,111)	₱125,234
Benefit from availment of optional standard deduction	(56,877)	(62,861)	(372,062)
Interest income subjected to final tax	(46,247)	(63,248)	(56,393)
Expired NOLCO and excess MCIT over RCIT	37,767	1,496	–
Change in unrecognized deferred income tax assets	23,210	4,876	3,373
Application of unrecognized deferred income tax asset on NOLCO	(16,915)	–	–
Non-deductible expenses	13,165	169,550	181,524
Derecognized deferred income tax assets	–	188,184	33,869
Other	(2,618)	(31,701)	(9,697)
Income tax at effective rates	₱1,124,215	₱1,334,698	₱1,686,015

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

	2013	2012	2011
Deferred income tax assets:			
NOLCO	₱135,139	₱151,340	₱214,882
Allowance for:			
Inventory losses	112,276	112,507	121,046
Impairment losses on trade and other receivables	9,216	16,301	67,862
Impairment of advances to claimowners	4,947	4,947	6,420
Impairment losses on property and equipment and deferred mine exploration costs	1,507	120	32,426
Pension liability	83,722	40,960	47,120
Valuation gains on AFS financial assets	(36,727)	(21,090)	(1,327)
Excess of MCIT over RCIT	26,330	11,936	–
Provision for mine rehabilitation and decommissioning	25,123	21,232	23,222
Unrealized foreign exchange losses (gains) - net	(23,918)	12,603	(37,613)
Deferred income	3,999	4,209	4,208

(Forward)

	2013	2012	2011
Deferred income tax assets:			
Costs of share-based payment plan	**₱3,028**	₱5,129	₱27,561
Undepleted asset retirement obligation	**(1,827)**	(1,876)	3,579
Accrued SDMP costs	**1,003**	4,036	13,385
Others	**625**	2,543	(20,920)
	₱344,443	₱364,897	₱501,851
Deferred income tax liabilities:			
Long-term stockpile inventory	**₱351,029**	₱421,580	₱461,479
Asset revaluation surplus	**104,409**	107,797	111,366
Share in cumulative translation adjustment (see Note 11)	**30,790**	–	13,139
Pension asset	**–**	17,095	–
Unrealized foreign exchange gains - net	**–**	8,053	–
Allowance for inventory losses	**–**	(2,518)	–
Provision for mine rehabilitation and decommissioning	**–**	(1,143)	–
Others	**–**	(413)	(359)
	₱486,228	₱550,451	₱585,625

As at December 31, 2013 and 2012, the Group has temporary differences on NOLCO amounting to ₱80.6 million and ₱786.7 million, respectively, for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient taxable income will be available against which the benefit of the deferred income tax asset can be utilized.

As at December 31, 2013 and 2012, the Group, except for FEI, has NOLCO and excess MCIT over RCIT that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO	Excess MCIT over RCIT
2011	2014	₱99,994	₱20
2012	2015	402,125	11,938
2013	2016	27,254	14,394
		₱529,373	₱26,352

As at December 31, 2013 and 2012, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO
2009	2014	₱238
2011	2016	208
2012	2017	267
2013	2018	136
		₱849

Movements in NOLCO are as follow:

	2013	2012
Balances at January 1	**₱1,291,186**	₱859,334
Additions	**27,390**	436,819
Expirations	**(697,543)**	(4,967)
Applications	**(90,811)**	–
Balances at December 31	**₱530,222**	₱1,291,186

Movements in excess of MCIT over RCIT are as follow:

	2013	2012
Balances at January 1	**₱11,971**	₱39
Additions	**14,394**	11,938
Expirations	**(13)**	(6)
Balances at December 31	**₱26,352**	₱11,971

34. Financial Instruments

The Group's main financial instruments are cash and cash equivalents, AFS financial assets and long-term debt. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as trade and other receivables, and cash held in escrow, MRF, SDMP fund and long-term negotiable instrument under "Other noncurrent assets" and trade and other payables, which arise directly from its operations and investing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Except for those impaired trade and other receivables, the Group assessed the loans and receivables as collectible and in good standing.

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in debt instruments, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign and local equity funds are made in mutual funds with investments in A-rated companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equities is reviewed regularly by the Chief Finance Officer.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure
With respect to credit risk arising from cash and cash equivalents, trade and other receivables, AFS financial assets and cash held in escrow MRF, SDMP fund and long-term negotiable instrument under "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Quality and Aging Analyses of Financial Assets
The credit quality and aging analysis of the Group's financial assets as at December 31, 2013 and 2012 are summarized in the following tables:

2013	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents:	₱10,226,439	₱–	₱–	₱10,226,439
Cash with banks	4,973,946	–	–	4,973,946
Short-term cash investments	5,252,493	–	–	5,252,493
~~Trade and other receivables:~~	~~776,295~~	–	~~38,943~~	~~815,238~~
Trade	628,418	–	26,150	654,568
Receivable from CBNC	50,049	–	–	50,049
Amounts owed by related parties	9,212	–	–	9,212
Others	88,616	–	12,793	101,409
AFS financial assets:	2,438,938	–	–	2,438,938
Quoted debt securities	1,318,364	–	–	1,318,364
Quoted equity securities	201,830	–	–	201,830
Unquoted equity securities	918,744	–	–	918,744
Other noncurrent assets:	237,584	–	–	237,584
MRF	125,467	–	–	125,467
Cash held in escrow	65,118	–	–	65,118
Long-term negotiable instruments	30,000	–	–	30,000
SDMP fund	16,999	–	–	16,999
	₱13,679,256	₱–	₱38,943	₱13,718,199

2012	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents:	₱9,262,795	₱–	₱–	₱9,262,795
Cash with banks	636,961	–	–	636,961
Short-term cash investments	8,625,834	–	–	8,625,834
Trade and other receivables:	509,229	309,514	43,686	862,429
Trade	229,199	306,631	32,436	568,266
Receivable from CBNC	73,429	–	–	73,429
Amounts owed by related parties	14,251	–	–	14,251
Notes receivable	76,278	–	–	76,278
Others	116,072	2,883	11,250	130,205
AFS financial assets:	2,128,038	–	–	2,128,038
Quoted debt securities	1,020,750	–	–	1,020,750
Quoted equity securities	188,544	–	–	188,544
Unquoted equity securities	918,744	–	–	918,744
Other noncurrent assets:	231,079	–	–	231,079
MRF	134,288	–	–	134,288
Cash held in escrow	64,228	–	–	64,228
Long-term negotiable instruments	30,000	–	–	30,000
SDMP fund	2,563	–	–	2,563
	₱12,131,141	₱309,514	₱43,686	₱12,484,341

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash and cash equivalents, cash held in escrow, MRF and SDMP fund are placed in various foreign and local banks. The rest are held by various foreign banks having a Standard and Poor's credit rating of at least A. Material amounts are held by local banks, as approved by the BOD, that have good reputation and low probability of insolvency. Management assesses the quality of these assets as high grade.
- Trade receivables and receivable from CBNC pertain to receivables from customers which have good financial capacity and with which the Group has already established a long standing relationship. Management assesses the quality of these assets as high grade. Trade and other receivables not foreseen to be collected are classified as sub-standard grade.
- Amounts owed by related parties are advances that are due and demandable. The related parties are operating firms capable of repaying the amount due. Management assesses the quality of these assets as high grade.
- Management assesses the quality of other receivables as high grade since amounts pertain to receivables from customers which have good financial capacity and with whom the Group has already established a long outstanding relationship. The other receivables also include amounts owed by officers and employees that are operational advances in nature. These operational advances are collected subsequently.
- AFS financial assets in debt securities and equity securities are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

- Long-term negotiable instrument is an investment placed in a local bank with good financial capacity and with low probability of insolvency. Management assessed the quality of this asset as high grade.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance its exploration and mining activities through internally generated funds and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2013 and 2012 based on contractual undiscounted payments.

2013	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Trade and other payables					
Trade	**₱274,770**	**₱179,385**	**₱21,816**	**₱–**	**₱475,971**
Accrued expenses	**35,371**	**105,761**	**100,090**	**–**	**241,222**
Retention payable	**–**	**–**	**–**	**34,168**	**34,168**
Others	**–**	**19,889**	**14,420**	**–**	**34,309**
Long-term debt					
Principal	**–**	**–**	**117,469**	**1,421,128**	**1,538,597**
Interest	**–**	**–**	**25,141**	**481,592**	**506,733**
	₱310,141	**₱305,035**	**₱278,936**	**₱1,936,888**	**₱2,831,000**

2012	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱298,976	₱88,950	₱14,865	₱459	₱403,250
Accrued expenses	112,537	82,174	59,450	239	254,400
Retention payable	–	–	–	446	446
Others	26,110	17,730	–	–	43,840
Long-term debt					
Principal	–	22,391	94,228	1,422,670	1,539,289
Interest	–	764	28,106	662,088	690,958
	₱437,623	₱212,009	₱196,649	₱2,085,902	₱2,932,183

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk of the Group as at December 31, 2013 and 2012.

2013	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱4,981,843	₱–	₱–	₱–	₱4,981,843
Short-term cash investments	5,252,493	–	–	–	5,252,493
Trade and other receivables					
Trade	499,028	74,857	22,042	32,491	628,418
Receivable from CBNC	50,049	–	–	–	50,049
Amounts owed by related parties	9,212	–	–	–	9,212
Others	74,483	2,729	154	11,250	88,616
AFS financial assets					
Quoted debt securities	1,318,364	–	–	–	1,318,364
Quoted equity securities	201,830	–	–	–	201,830
Unquoted equity securities	918,744	–	–	–	918,744
Other noncurrent assets					
MRF	125,467	–	–	–	125,467
Cash held in escrow	65,118	–	–	–	65,118
Long-term negotiable instruments	–	–	–	30,000	30,000
SDMP fund	16,999	–	–	–	16,999
	₱13,513,630	₱77,586	₱22,196	₱73,741	₱13,687,153

2012	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱637,617	₱–	₱–	₱–	₱637,617
Short-term cash investments	8,625,834	–	–	–	8,625,834
Trade and other receivables					
Trade	229,199	306,631	–	–	535,830
Receivable from CBNC	73,429	–	–	–	73,429
Amounts owed by related parties	14,251	–	–	–	14,251
Notes receivable	76,278	–	–	–	76,278
Others	116,072	2,883	–	–	118,955
AFS financial assets					
Quoted debt securities	1,020,750	–	–	–	1,020,750
Unquoted equity securities	918,744	–	–	–	918,744
Quoted equity securities	188,544	–	–	–	188,544
Other noncurrent assets					
MRF	134,288	–	–	–	134,288
Cash held in escrow	64,228	–	–	–	64,228
Long-term negotiable instruments	–	–	–	30,000	30,000
SDMP fund	2,563	–	–	–	2,563
	₱12,101,797	₱309,514	₱–	₱30,000	₱12,441,311

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest rates, equity prices and other market changes.

Foreign Currency Risk
The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, AFS financial assets, trade and other payables and long-term debt. For its foreign currency-denominated trade receivables, the Group ensures timely follow-up and collection to mitigate the impact of foreign exchange fluctuations.

To mitigate the effects of foreign currency risk, the Group will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables and loans, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$59,395**	**₱2,636,863**	$14,956	₱613,924
Trade and other receivables	**11,526**	**538,074**	13,449	552,075
AFS financial assets	**17,063**	**757,510**	10,302	422,897
	$87,984	**₱3,932,447**	$38,707	₱1,588,896
Financial liabilities:				
Trade and other payables	**$1,434**	**₱63,422**	$1,230	₱50,503
Long-term debt	**34,657**	**1,538,598**	37,498	1,539,289
	$36,091	**₱1,602,020**	$38,728	₱1,589,792

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱44.40 and ₱41.05 as at December 31, 2013 and 2012, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2013 and 2012 follows:

	Peso (Strengthens) Weakens	Sensitivity to pretax income
2013	**₱0.70**	**₱36,325**
	(0.55)	**(28,541)**
2012	₱0.72	(₱15)
	(0.75)	16

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to AFS quoted debt and floating-rate long-term debt.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following tables set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

2013	**<1 year**	**1-5 years**	**>5 years**	**Total**
Floating rate (LIBOR plus 2% spread) - long-term debt	**₱117,469**	**₱527,679**	**₱893,449**	**₱1,538,597**

2012	<1 year	1-5 years	>5 years	Total
Floating rate (LIBOR plus 2% spread) - long-term debt	₱116,619	₱524,701	₱897,969	₱1,539,289

Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due. As at December 31, 2013 and 2012, the interest on the Group's long-term debt is repriced on a 180-day basis.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, of the Group's income before income tax and equity as at December 31, 2013 and 2012 are as follows:

	Change in interest rate (in basis points)	**Sensitivity to income before income tax**	**Sensitivity to equity**
December 31, 2013			
Long-term debt	**+100**	**(15,386)**	
	-100	**15,386**	
AFS financial assets	**+100**		**(37,923)**
	-100		**37,923**
December 31, 2012			
Long-term debt	+100	(15,393)	–
	-100	15,393	–
AFS financial assets	+100	–	(31,311)
	-100	–	31,311

The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of AFS quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statement of income.

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The table shows the sensitivity to a reasonably possible change in equity prices on AFS equity instruments as at December 31, 2013 and 2012, except equity-linked investments.

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
2013	**22.23%**	**18,393**
	-22.23%	**(18,393)**
2012	22.23%	16,182
	-22.23%	(16,182)

The stocks of the AFS financial assets are traded in the following markets: Hang Sheng Index, Luxembourg Stock Market, PSE and Standard & Poor's 500.

Capital Management

The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, deferred income, long-term debt, provision for mine rehabilitation and decommissioning, deferred income tax liabilities - net and pension liability.

The Group considers the following as capital:

	2013	2012
Capital stock	**₱1,266,780**	₱1,013,938
Additional paid-in capital	**8,151,603**	8,117,558
Net valuation gains on AFS financial assets	**99,506**	65,199
Cost of share-based payment plan	**49,524**	57,464
Asset revaluation surplus	**33,629**	34,012
Share in cumulative translation adjustment	**140,201**	(136,909)
Retained earnings:		
Appropriated	**1,000,000**	-
Unappropriated	**9,748,905**	9,725,164
Non-controlling interests	**4,721,640**	4,705,278
	₱25,211,788	₱23,581,704

The table below shows the Group's debt-to-equity ratio as at December 31, 2013 and 2012.

	2013	2012
Total liabilities (a)	**₱3,701,740**	₱3,597,513
Equity (b)	**25,211,788**	23,581,704
Debt-to-equity ratio (a/b)	**0.15:1**	0.15:1

35. Financial Instruments

The management assessed that the following financial instruments approximate their carrying amounts based on the methods and assumptions used to estimate the fair values:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature and maturity of these financial instruments.

Trade and Other Receivables and Trade and Other Payables
Similarly, the carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Cash held in Escrow, MRF, SDMP Fund and Long-term Negotiable Instrument
The carrying amount of cash held in escrow, SDMP fund and MRF approximate their fair values since they are restricted cash with banks, which earns interest based on prevailing market rates repriced monthly. The long-term negotiable instrument also approximates its fair value since it earns interest based on long-term cash investment rate.

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

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

Fair Value Hierarchy of Financial Instruments
As at December 31, 2013 and 2012, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2013			2012		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets						
AFS financial assets						
Quoted debt securities	**₱1,318,364**	**₱–**	**₱–**	₱1,023,750	₱–	₱–
Quoted equity securities	**202,047**	**–**	**–**	185,761	–	–
Unquoted equity securities	**–**	**–**	**918,527**	–	–	918,527
	₱1,520,411	**₱–**	**₱918,527**	₱1,209,511	₱–	₱918,527

As at December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

36. Significant Agreements

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

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

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

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

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

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

Following the MOU is the Taganito HPAL Stockholders Agreement (the Agreement) entered into by the Parent Company, SMM and Mitsui, on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. The said Agreement contains the principal terms of an ore supply agreement to be entered into between THNC and TMC for the supply of limonite ore.

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

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

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

d. <u>Sales Agreements</u>

Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 31a)

Nickel Ore Supply and Service Agreement with CBNC (see Note 31a)

Nickel Ore Supply Agreement with THNC (see Note 31a)

Nickel Ore Sale Agreement with SMM (see Note 31a)

Nickel Ore Supply Agreements with Chinese customers
HMC, CMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume of expected delivery within a few months. Sale of ore to Chinese customers amounted to ₱7.4 billion, ₱7.4 billion and ₱7.8 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

Materials Handling Agreement with THNC (see Note 31a)

e. <u>Mining Agreements</u>

MPSA

<u>RTN</u>
On June 4, 1998, the Philippine Government (the Government) approved the conversion of RTN's Mining Lease Contracts under the old mining regime into an MPSA with the Government pursuant to the Philippine Mining Act of 1995. The MPSA allows RTN to explore, develop and continue mining operations for nickel ore within the Contract Area covering 990 hectares in the Municipality of Bataraza, southern Palawan Island. Under RTN's Environmental Compliance Certificate, however, 144 hectares of the Contract Area are excluded from mining operations, being located within an area classified as "core zone" where mining is prohibited under current regulations of the Palawan Council for Sustainable Development (PCSD).

On April 28, 2005, RTN and the Government entered into a second MPSA covering 85 hectares in the Municipality of Bataraza, which allows RTN to mine limestone in Sitio Gotok. Limestone being mined by RTN pursuant to this second MPSA is being sold to CBNC and used at the Coral Bay HPAL plant.

Under both MPSAs, RTN pays a two percent (2%) excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending. On May 30, 2008, the PCSD issued a resolution interposing no objections to the revision by the Municipality of Bataraza of its Environmentally Critical Areas Network map that, among others, seeks to reclassify the core zone within the Contract Area into a mineral development area. The reclassification was approved by the Municipal Development Council of the Municipality of Bataraza on November 18, 2009, and subsequently approved by the Provincial Board on January 5, 2010. The processing of the Application for MPSA by the MGB is consequently under way.

HMC

Tagana-an Nickel Project

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into an MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 773.77 hectares in the Municipality of Tagana-an, Surigao del Norte. Under the MPSA, HMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty on gross revenues, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

Manicani Nickel Project

On August 13, 1992, HMC and the Government entered into an MPSA, which allows HMC to explore, develop and mine nickel ore within the Contract Area covering 1,165 hectares in Manicani Island, Municipality of Guian, Eastern Samar. Under the MPSA, HMC shall pay the Government a two percent (2%) excise tax, a one percent (1%) royalty and ten percent (10%) of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On August 2, 2004, the Regional Panel of Arbitrators of the MGB recommended the cancellation of the MPSA as a result of allegations by third parties against the operations of HMC. On September 4, 2009, the Mines and Adjudication Board of the DENR issued a decision setting aside the decision of the Panel of Arbitrators. Hence, the MPSA remains in effect. ~~HMC is currently not conducting mining operations in Manicani.~~

On July 30, 2010, HMC and SNMRC entered into a Deed of Assignment and Transfer of Rights whereas HMC shall transfer all its rights, title and interest in Manicani Operations to SNMRC. As of December 31, 2013, HMC is still the effective holder of MPSA-012-92-VIII. Transfer of the MPSA is still pending approval from MGB though Deed of Assignment was already executed between HMC and SNMRC.

TMC
On July 28, 2008, the Government approved the conversion of TMC's Operating Lease Contract into an MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 4,584.51 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the Contract Area to 4,862.71 hectares.

Under the MPSA, TMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

Operating Agreements

La Salle
On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued.

The Operating Agreement specifies a royalty to La Salle of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of twenty five percent (25%) per year over a period of four (4) years. As at December 31, 2013, the MPSA remains pending.

Kepha
On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of MPSA no. 284-2009-XII-SMR covering 6,980.75 hectares in the Municipality of Claver, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance of $1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government. There were drilling activities related to the Kepha project in 2013

Ludgoron
On August 28, 2007, TMC entered into an Operating Agreement with Ludgoron, the holder of an MPSA with Government issued on July 27, 2007 covering a Contract Area of 3,248 hectares in the Municipality of Carrascal, Surigao del Sur. The Operating Agreement allows TMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, upon the start of mining operations TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Ludgoron, with approval from the Government.

Under the Operating Agreement, TMC shall pay Ludgoron a royalty of five percent (5%). Upon signing of the Agreement, TMC made an advance royalty payment of $1.0 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years. In 2009, an additional advances against royalties amounting to ₱10.0 million was made in order to allow Ludgoron to settle a claims conflict. There were no drilling activities related to the Ludgoron project in 2013.

East Coast

On November 19, 1997, CMC entered into an Operating Agreement with East Coast, the holder of an MPSA with the Government issued on November 19, 1997 covering a Contract Area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The Operating Agreement allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, CMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. Under the Operating Agreement, CMC also pays East Coast a royalty of seven percent (7%), net of withholding taxes.

The Operating Agreement expired on November 19, 2007 and was renewed for a period of ten (10) years. In consideration, East Coast was paid ₱100.0 million upon signing of the extension, and ₱100.0 million as advances against future royalties, repayable over a ten-year period at a rate of ₱10.0 million per year. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of East Coast, with approval from the Government.

A Mutual Rescission of the above Memorandum of Agreement was executed on March 12, 2012, wherein East Coast and CMC mutually agreed to terminate the MOA and to release each other from any and all responsibilities and liabilities thereunder.

On July 29, 2013, East Coast and CMC entered into an agreement to reduce for one-year period the marketing and royalty fees. Royalty payments to East Coast reduced from 7% (net of withholding taxes) to 5% during this period. Advances against future royalties, to which royalty payment shall be credited was also reduced from ₱10.0 million per year to ₱3.6 million and ₱6.4 million in 2013 and 2014, respectively.

~~The commission expense related to East Coast that is reported under marketing amounted to ₱27.4 million and ₱54.8 million in 2013 and 2012, respectively.~~

BOA

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

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

f. Loan Guarantee/Substitution Agreement

RTN

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

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

The loan guarantee service fee amounting to ₱0.9 million, ₱1.3 million and ₱1.7 million in 2013, 2012 and 2011, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 28).

NAC

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

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

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

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

The loan guarantee service fee amounted to ₱103.3 million, ₱82.7 million and ₱24.9 million in 2013, 2012 and 2011, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 28).

g. Power Supply Agreement (PSA) with Surigao Del Norte Electric Cooperative, Inc. (SURNECO)

On October 31, 2013, the Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Company has agreed to construct, operate, and maintain a ten (10) megawatts bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO.

h. Participation and Shareholder's Agreement

In May 2011, NAC and SMM signed a Participation and Shareholders' Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest $1.5 million in CExCI for twenty five percent (25%) equity. Once such funds have been exhausted, SMM has the option to invest $2.8 million for an additional fifteen percent (15%) equity which would bring its total equity in CExCI to forty percent (40%).

i. Marketing Agreement with Mitsubishi Corporation

RTN, TMC, HMC, and CMC entered into a marketing agreement with Mitsubishi Corporation, wherein they will provide set forth below:

a) Mitsubishi will use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
b) Mitsubishi will report market information defined in the marketing agreement;
c) Mitsubishi will make efforts to introduce customers to RTN, TMC, HMC and CMC and provide support to both of Companies in negotiating the price and terms and conditions of sales contracts of the products by and between the Companies and customers; and
d) Mitsubishi will monitor and assess trends of customers and support RTN, TMC, HMC and CMC to create an effective pricing strategy and marketing plan.

Marketing expense of three and a half percent (3.5%) shall be charged to RTN, TMC, HMC and CMC based on the total amount of revenue on free-on-board price stated in the invoices issued by RTN, TMC, HMC and CMC to each customer.

j. Other Agreements

Registration with PEZA

On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680-hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte to be known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended. The proposed nickel-cobalt processing plant using the HPAL technology will be located within the TMC's mine site in Surigao del Norte.

On January 9, 2013, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay five percent (5%) final tax on gross income. The certification is valid from January 1 to December 31, 2013 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Under PEZA Board Resolution No. 11-08 dated March 1, 2011, its directors approved TMC's application for extension of its existing TSEZ. On July 28, 2011, pursuant to the resolution, the Government issued Proclamation No. 211 designating parcels of land with an aggregate area of 7.5 hectares located at Barangay Taganito, municipality of Claver, Province of Surigao del Norte, for inclusion to the existing TSEZ.

On January 23, 2013, PEZA issued a Letter of Authority No. 13-0426 allowing TMC to allocate one (1) hectare lot within the TSEZ located at Barangay Taganito, Claver, Surigao del Norte as relocation site for the residents along Hayanggabon River, Barangay Hayanggabon, Claver, Surigao del Norte.

Board of Investments (BOI) Certification
In January 2013, TMC, RTN, HMC and CMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales". The certifications are valid from January 1 to December 31, 2013 and renewable annually, unless sooner revoked by the BOI Governing Board.

Lease Agreement with THNC
On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties.

Lease Contract with the DENR
TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 square meters. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.

Joint Undertaking with National Commission on Indigenous Peoples (NCIP)
On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that a one percent (1%) royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a Memorandum of Agreement dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

37. Events after the Reporting Period

Amendment of Articles of Incorporation
On March 24, 2014, the Parent Company's BOD approved the amendment of its Articles of Incorporation to reflect the change in its principal office address to NAC Tower 32nd Street, Bonifacio Global City, Taguig, subject to the approval of the Parent Company's stockholders in June 2014.

Increase in Authorized Capital Stock
On March 6, 2014, TMC's BOD resolved, subject to the ratification of the shareholders, the increase in authorized capital stock from 2 billion to 5 billion common stock with par value of ₱1.00 per share.

Dividend Declarations
On March 24, 2014, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱0.30 per share, to stockholders of record as at April 10, 2014, which will be paid on May 8, 2014.

On March 20, 2014, HMC's BOD declared cash dividends amounting to ₱1,034.2 million, equivalent to ₱2.00 per share, to stockholders of record as at February 28, 2014. The cash dividends will be paid in two tranches at 50% on each pay-out on June 30, 2014 and December 1, 2014.

On March 6, 2014, TMC's BOD resolved, subject to the ratification of the shareholders, the declaration of one hundred percent (100%) stock dividends. The stock dividends shall be used as the subscribed and paid up portion to support the application for the increase in authorized capital stock of TMC. Also, the stock dividend shall be issued upon approval of the TMC's application for increase of Authorized Capital Stock by the SEC.

On February 26, 2014, RTN's BOD approved the declaration of its 58,749,999 shares in CBNC, with market value of ₱1,418.7 million, to stockholders of record as at March 21, 2014, provided that all foreign shareholders as at February 28, 2014 shall receive cash dividends of ₱945.8 million in lieu of the property dividend, which will be paid on March 31, 2014. On March 28, 2014, SEC approved the property dividend declaration of RTN.

ESOP
On March 24, 2014, the Company's BOD approved the adoption of a new stock option plan for officers of the Company, its operating subsidiaries and Resident Mine Managers. Directors will likewise be eligible to participate in the plan. A total of 32 million shares of stock will be reserved for the plan, which will have a term of five (5) years, from 2014 to 2019, and annual vesting rate of twenty-five percent (25%) of the entitlement shares. The first vesting date is one (1) year after the grant of the option.

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing activity pertains to the declaration of stock dividend amounting to ₱251.9 million and ₱335.6 million in 2013 and 2012, respectively.

39. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC and THNC.

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

	December 31, 2013							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/TMC/ LCSLC	Others	Eliminations	Total
External customers	₱3,438,856	₱737,906	₱3,109,101	₱3,189,634	₱623,942	₱10,090	₱–	₱11,109,529
Inter-segment revenues	–	–	–	–	72,637	434,953	(507,590)	–
Total revenues (see Note 31)	3,438,856	737,906	3,109,101	3,189,634	696,579	445,043	(507,590)	11,109,529
Cost of sales	927,692	422,058	1,122,846	2,016,698	–	–	–	4,489,294
Cost of services	–	–	–	–	335,292	–	–	335,292
Shipping and loading costs	444,164	141,109	457,029	268,847	87,622	–	–	1,398,771
Excise taxes and royalties	240,720	95,368	248,728	63,792	–	–	–	648,608
Marketing	21,065	28,228	4,462	11,874	–	–	–	65,629
Segment operating earnings	₱1,805,215	₱51,143	₱1,276,036	₱828,423	₱273,665	₱445,043	(₱507,590)	₱4,171,935
General and administrative	₱66,117	₱34,038	₱110,899	₱111,172	₱12,156	₱290,437	₱–	₱624,819
Finance income	₱14,332	₱2,515	₱15,683	₱49,750	₱12	₱84,461	₱–	₱166,753
Finance expense	₱5,327	₱3,450	₱7,007	₱6,896	₱2,267	₱103,351	₱–	₱128,298
Provision for (benefit from) income tax	₱516,384	(₱8,787)	₱350,677	₱247,190	₱7,589	₱11,162	₱–	₱1,124,215
Net income (loss) attributable to equity holders of the parent	₱1,473,262	₱21,554	₱640,531	₱595,162	(₱98,064)	(₱578,771)	₱–	₱2,053,674
Segment assets	₱1,943,798	₱954,295	₱6,708,837	₱7,740,945	₱263,195	₱10,958,015	₱–	₱28,569,085
Deferred income tax assets - net	97,366	93,381	58,458	4,709	–	90,529	–	344,443
Total assets	₱2,041,164	₱1,047,676	₱6,767,295	₱7,745,654	₱263,195	₱11,048,544	₱–	₱28,913,528
Segment liabilities	₱419,751	₱152,185	₱1,970,952	₱547,866	₱5,270	₱119,488	₱–	₱3,215,512
Deferred income tax liabilities - net	–	–	–	423,608	31,830	30,790	–	486,228
Total liabilities	₱419,751	₱152,185	₱1,970,952	₱971,474	₱37,100	₱150,278	₱–	₱3,701,740
Capital expenditures	₱346,186	₱114,084	₱1,256,229	₱129,461	₱28,009	₱57,156	₱–	₱1,931,125
Depreciation, amortization and depletion	₱123,760	₱72,484	₱336,736	₱488,985	₱174,003	₱66,683	₱–	₱1,262,651

	December 31, 2012, as restated							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/TMC/ LCSLC	Others	Elimination	Total
External customers	₱2,881,204	₱1,130,033	₱3,093,866	₱4,038,188	₱444,202	₱19,414	₱–	₱11,606,907
Inter-segment revenues	–	–	–	–	347,540	39,519	(387,059)	–
Total revenues (see Note 31)	2,881,204	1,130,033	3,093,866	4,038,188	791,742	58,933	(387,059)	11,606,907
Cost of sales	721,597	563,897	996,783	2,184,938	–	–	–	4,467,215
Cost of services	–	–	–	–	260,399	–	–	260,399
Shipping and loading costs	383,477	203,786	395,446	384,843	32,998	–	–	1,400,550
Excise taxes and royalties	201,684	177,980	247,509	80,764	–	–	–	707,937
Marketing	32,974	55,003	–	6,377	–	–	–	94,354
Segment operating earnings	₱1,541,472	₱129,367	₱1,454,128	₱1,381,266	₱498,345	₱58,933	(₱387,059)	₱4,676,452
General and administrative	₱72,567	₱36,702	₱109,956	₱71,551	₱7,686	₱229,119	₱–	₱527,581
Finance income	₱25,456	₱4,852	₱35,363	₱68,351	₱17	₱101,001	₱–	₱235,040
Finance expense	₱5,089	₱2,779	₱12,712	₱11,233	₱55	₱82,668	₱–	₱114,536
Provision for (benefit from) income tax	₱455,332	₱25,053	₱369,150	₱423,813	(₱8,742)	₱70,092	₱–	₱1,334,698
Net income (loss) attributable to equity holders of the parent	₱1,229,157	₱147,592	₱773,990	₱890,414	(₱406,821)	(₱427,122)	₱–	₱2,207,210
Segment assets	₱1,564,307	₱986,111	₱5,866,492	₱8,392,525	₱238,090	₱9,766,795	₱–	₱26,814,320
Deferred income tax assets - net	126,032	76,008	48,663	–	10,333	103,861	–	364,897
Total assets	₱1,690,339	₱1,062,119	₱5,915,155	₱8,392,525	₱248,423	₱9,870,656	₱–	₱27,179,217
Segment liabilities	₱309,247	₱148,735	₱1,840,039	₱642,346	₱39,319	₱67,376	₱–	₱3,047,062
Deferred income tax liabilities - net	–	–	–	515,767	34,684	–	–	550,451
Total liabilities	₱309,247	₱148,735	₱1,840,039	₱1,158,113	₱74,003	₱67,376	₱–	₱3,597,513
Capital expenditures	₱284,377	₱180,499	₱841,322	₱1,372,525	₱30,972	₱9,338	₱–	₱2,719,033
Depreciation, amortization and depletion	₱72,606	₱81,841	₱300,579	₱416,531	₱47,263	₱63,063	₱–	₱981,883

	December 31, 2011, as restated							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/LCSLC	Others	Elimination	Total
External customers	₱1,790,727	₱1,723,666	₱2,751,941	₱5,963,944	₱344,593	₱119,835	₱–	₱12,694,706
Inter-segment revenues	–	–	–	–	69,231	55,925	(125,156)	–
Total revenues (see Note 31)	1,790,727	1,723,666	2,751,941	5,963,944	413,824	175,760	(125,156)	12,694,706
Cost of sales	572,781	451,668	612,878	1,712,363	–	–	–	3,349,690
Cost of services	–	–	–	–	214,260	–	–	214,260
Shipping and loading costs	405,649	251,985	233,406	330,348	64,688	–	–	1,286,076
Excise taxes and royalties	125,351	271,477	220,155	119,279	–	–	–	736,262
Marketing	241	54,586	–	13,349	–	–	–	68,176
Segment operating earnings	₱686,705	₱693,950	₱1,685,502	₱3,788,605	₱134,876	₱175,760	(₱125,156)	₱7,040,242
General and administrative	₱70,315	₱43,232	₱112,673	₱93,450	₱10,499	₱247,256	₱–	₱577,425
Finance income	₱6,152	₱3,389	₱29,705	₱61,359	₱19	₱107,812	₱–	₱208,436
Finance expense	₱2,919	₱3,327	₱17,038	₱9,519	₱–	₱33,812	₱–	₱66,615
Provision for (benefit from) income tax	₱167,250	₱146,845	₱431,437	₱977,893	₱742	(₱38,152)	₱–	₱1,686,015
Net income (loss) attributable to equity holders of the parent	₱396,401	₱346,029	₱607,857	₱2,225,816	₱4,038	(₱42,359)	₱–	₱3,537,782
Segment assets	₱1,575,261	₱1,471,363	₱4,942,039	₱6,982,713	₱135,747	₱10,793,924	₱–	₱25,901,047
Deferred income tax assets - net	155,413	88,719	21,775	4,630	4,445	226,869	–	501,851
Total assets	₱1,730,674	₱1,560,082	₱4,963,814	₱6,987,343	₱140,192	₱11,020,793	₱–	₱26,402,898
Segment liabilities	₱359,657	₱314,648	₱1,876,741	₱886,661	₱112,471	₱34,490	₱–	₱3,584,668
Deferred income tax liabilities - net	–	–	–	–	37,537	548,088	–	585,625
Total liabilities	₱359,657	₱314,648	₱1,876,741	₱886,661	₱150,008	₱582,578	₱–	₱4,170,293
Capital expenditures	₱117,134	₱74,750	₱805,329	₱223,437	₱50,359	₱22,756	₱–	₱1,293,765
Depreciation, amortization and depletion	₱37,470	₱86,505	₱231,138	₱263,550	₱15,319	₱99,839	₱–	₱733,821

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	2013	2012	2011
China	₱7,376,742	₱7,356,918	₱7,815,248
Japan	1,462,481	2,403,673	2,405,951
Local	2,270,306	1,846,316	2,473,507
	₱11,109,529	₱11,606,907	₱12,694,706

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

Revenue from two key customers amounted to ₱5,257.2 million, ₱5,128.0 million and ₱5,822.3 million in 2013, 2012 and 2011, respectively, arising from sale of ores.

40. Reclassifications

Certain 2012 and 2011 consolidated financial statement accounts have been reclassified to conform to the 2013 consolidated financial statements presentation.

SGV
Building a better working world

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries
NAC Tower
32nd Street, Bonifacio Global City
Taguig

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and Subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 24, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug

Eleanore A. Layug
Partner
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Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 24, 2014

NICKEL ASIA CORPORATION
SUPPLEMENTARY SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2013

SCHEDULE I
NICKEL ASIA CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2013

Unappropriated retained earnings as at December 31, 2012, as reflected in audited financial statements		₱5,812,499,120
Unrealized foreign exchange gain - net except those attributable to cash and cash equivalents		(10,123,574)
Unappropriated retained Earnings, *as adjusted to available for dividend distribution, beginning*		5,802,375,546
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	1,880,323,559	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	1,880,323,559	
Add: Non-actual losses		
Remeasurement loss on pension liability (after tax)	13,181,862	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Stock option expense for the period	7,118,788	
Subtotal	20,300,650	
Net income actually earned during the period		**1,900,624,209**
Add (Less):		
Dividend declarations during the period	(957,672,236)	
Appropriations of retained earnings	(1,000,000,000)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		(1,957,672,236)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DISTRIBUTION		**₱5,745,327,519**

SCHEDULE II
NICKEL ASIA CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not adopted	Not applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: ~~Puttable Financial Instruments and Obligations Arising on Liquidation~~			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not adopted	Not applicable
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
~~**PAS 28 (Amended)**~~	~~Investments in Associates and Joint Ventures~~	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not adopted	Not applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 201[illegible]		Adopted	Not adopted	Not applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		

(Forward)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not adopted	Not applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2014 onwards.

SCHEDULE III

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2013

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
	In Thousands			
Loans and receivables:	N/A			
Cash on hand and with banks		₱4,981,843	₱4,981,843	
Short term cash investments				
Union Bank of the Philippines	N/A	1,542,043	1,542,043	
Security Bank Savings	N/A	1,262,947	1,262,947	₱142,994
Security Bank Corporation	N/A	1,022,282	1,022,282	
Metropolitan Bank and Trust Company	N/A	775,358	775,358	
Banco de Oro	N/A	583,279	583,279	
Rizal Commercial Banking Corporation	N/A	66,584	66,584	
Cash and cash equivalents		10,234,336	10,234,336	142,994
Trade	N/A	628,418	628,418	–
Receivable from CBNC	N/A	50,049	50,049	–
Amounts owed by related parties	N/A	9,212	9,212	–
Others	N/A	88,616	88,616	–
Trade and other receivables		776,295	776,295	

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2013

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
		In Thousands		
Manila Golf and Country Club	1 share	₱30,000	₱30,000	₱–
Wack-wack Golf and Country Club	1 share	15,000	15,000	–
Valle Verde Country Club	1 share	120	120	–
Camp John Hay Country Club	1 share	180	180	–
Coral Bay Nickel Corporation	58,749,999 shares	724,410	724,410	60,480
Security Land Corporation	3,057,197 shares	126,758	126,758	–
Eurasian Consolidated Minerals Pty. Ltd.	12,500,000 shares	64,359	64,359	–
Ayala Land, Inc.	₱90,000	90,861	90,861	2,598
Aboitiz Equity Ventures, Inc.	₱50,000	50,170	50,170	191
Retail Treasury Bond	₱50,000	50,000	50,000	487
Ayala Corporation	₱45,000	45,305	45,305	1,956
Globe Telecom	₱40,000	41,280	41,280	1,557
Philippine Long Distance and Telephone Company	2,337,202	5,481	5,481	15
Security Bank Corporation	43,284 shares	5,004	5,004	28
BNP Paribas		675,934	675,934	–
Credit Suisse AG	250,799 shares	151,526	151,526	4,282
Credit Suisse AG	1,111,900 units	139,579	139,579	9,205
ATR Kim Eng Capital Partners, Inc.	40,020,230 units	111,331	111,331	–
BPI Asset Management	502,453 units	111,640	111,640	1,211
AFS financial assets		2,438,938	2,438,938	82,010
MRF	N/A	125,467	125,467	–
Cash held in escrow	N/A	65,118	65,118	825
Long-term negotiable instrument	N/A	30,000	30,000	1,260
SDMP fund	N/A	16,999	16,999	–
Other noncurrent assets		237,584	237,584	2,085
Total		₱13,687,153	₱13,687,513	₱227,089

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
For the Year Ended December 31, 2013

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Noncurrent	Ending Balance

There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business, and eliminated in consolidation.

NICKEL ASIA CORPORATION

Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements
For the Year Ended December 31, 2013

Name of Subsidiary	Balance At January 1, 2012	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
Taganito Mining Corporation	₱–	₱8,787,099	(₱5,754,312)	(₱2,209,292)	₱–	₱823,495	₱–	₱823,495
Rio Tuba Nickel Mining Corporation	2,526,161	8,913,435	(7,789,674)	–	–	3,649,922	–	3,649,922
Samar Nickel Mining Resources Corporation	3,402,091	163,336	(2,309,506)	–	–	1,255,921	–	1,255,921
Cagdianao Mining Corporation	530,913	6,550,638	(6,263,411)	–	–	818,140	–	818,140
Cordillera Exploration Co., Inc.	13,175,753	48,180,938	(3,513,882)	–	–	57,842,809	–	57,842,809
La Costa Shipping and Lighterage Corporation	19,123	78,735	(86,688)	–	–	11,170	–	11,170
Hinatuan Mining Corporation	440,259	7,485,015	(9,663,700)	1,738,426	–	–	–	–
	₱20,094,300	₱80,159,196	(₱35,381,173)	(₱470,866)	₱–	₱64,401,457	₱–	₱64,401,457

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

For the Year Ended December 31, 2013

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes - Additions (Deductions)	Ending Balance
			In Thousands			
Deferred mine exploration costs - net*	₱142,392	₱54,636	₱–	₱–	₱–	₱197,028
	₱142,392	₱54,636	₱–	₱–	₱–	₱197,028

*Disclosed in Note 13 to the Consolidated Financial Statements

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule E. Long-term Debt
December 31, 2013

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
		In Thousands		
Long-term Debt				
Sumitomo Metal Mining Co. Ltd.	₱–	₱39,778	₱139,223	A
Taganito HPAL Nickel Corporation	–	77,691	1,281,905	B
Deferred Income				
Taganito HPAL Nickel Corporation	–	4,563	75,419	C
Total	₱–	₱122,032	₱1,496,547	

Remarks:

A Interest rate is based on prevailing 180-day British Banker Associate London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread; principal is payable in semi-annual installments of $545,450, payable in February and August until February 28, 2018.

B Interest rate is based on prevailing 180-day LIBOR plus two percent (2%) spread; principal is payable in semi-annual installments of $875,000, payable in April and October until April 10, 2031.

C The obligation is covered by an Option Agreement which shall terminate upon finalization of the lease agreement. The lease agreement has yet to be finalized.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
December 31, 2013

Name of Affiliate	Beginning Balance	Ending Balance
	In Thousands	
Long-term Debt		
Sumitomo Metal Mining Co. Ltd.	₱210,295	₱179,001
Taganito HPAL Nickel Corporation	1,328,994	1,359,596
Deferred Income		
Taganito HPAL Nickel Corporation	79,609	75,419
	₱1,618,898	₱1,614,016

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers
For the Year Ended December 31, 2013

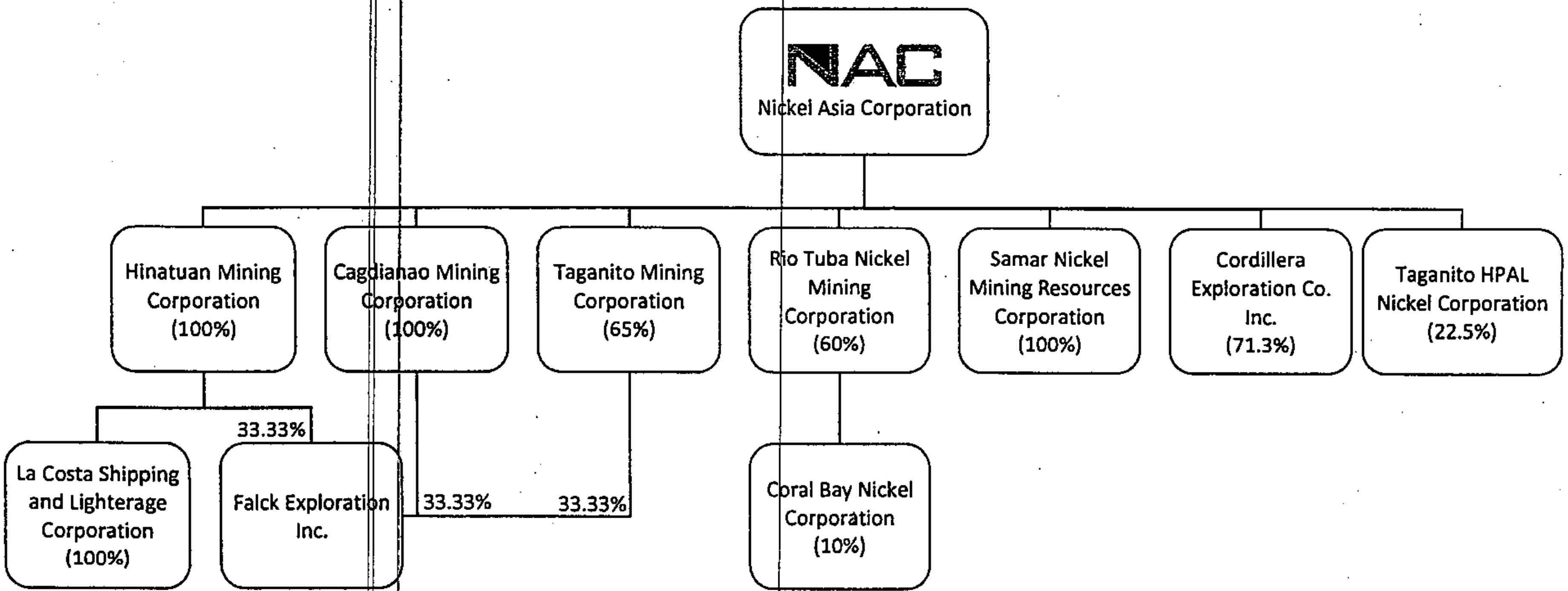
Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee

- Not applicable-

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By: Affiliates	Number of Shares Held By: Directors, Officers and Employees	Number of Shares Held By: Others
Common Stock	4,265,000,000	2,519,159,345	15,150,313	1,593,176,887	328,613,882	597,368,576
Preferred Stock	720,000,000	720,000,000	–	720,000,000	–	–

SCHEDULE IV
NICKEL ASIA CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013



Note: There is no pyramid ownership structure and/or cross holding structure.

SCHEDULE V
NICKEL ASIA CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

	2013	2012
A. Current/liquidity ratios		
Current ratio	11.15	10.54
Quick ratio	9.59	8.97
Cash ratio	7.82	7.26
Cash conversion cycle	139.98	146.48
B. Sovency ratio/Debt-to-equity ratio		
Solvency ratio	1.04	1.14
Debt-to-equity ratio	0.15	0.15
C. Asset-to-equity ratios	1.15	1.15
D. Interest rate coverage ratio	281.22	276.03
E. Profitability ratios		
Net profit margin analysis	23%	27%
Return on assets	9%	11%
Return on equity	10%	13%
Return on capital employed	9%	12%

NICKEL ASIA CORP.

November 12, 2014

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

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re : SEC Form 17-Q 2014 3rd Quarter Report
x ==x

Dear Madam:

We submit to you herewith a copy of our Company's SEC Form 17-Q Quarterly Report for the period ended September 30, 2014.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP - Chief Financial Officer

COVER SHEET

CS200811530

SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

NAC Tower 32nd Street, Bonifacio Global City, Taguig

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

EMMANUEL L. SAMSON	**892-6669 / 892-4177**
(Contact Person)	(Company Telephone Number)

12	**31**	**17-Q**	**06**	**1st Friday**
Month	*Day*	(Form Type)	*Month*	*Day*
(Calendar Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

50	**₱1,335.0 million**	**₱140.7 million**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number CS200811530
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

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

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

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

SEC FORM 17-Q Quarterly Report
Form Type

____
Amendment Delegation (If applicable)

For the Quarter Ended
September 30, 2014
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

1. For the quarterly period ended: **SEPTEMBER 30, 2014**
2. SEC Identification Number: **CS200811530**
3. BIR Tax Identification No.: **007-085-191-000**
4. Exact name of issuer as specified in its charter: **NICKEL ASIA CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: [ ] (SEC Use Only)
7. Address of principal office — Postal Code
   NAC Tower 32nd Street, — **1634**
   Bonifacio Global City, Taguig
8. Issuer's telephone number, including area code**: +63 2 892 6669 / +63 2 892 4177**
9. Former name, former address, and former fiscal year, if changed since last report.
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**2,527,999,241 shares**
Long-term Debt	**Php1,475.8 million**

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

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

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

NICKEL ASIA CORPORATION
17-Q QUARTERLY REPORT
SEPTEMBER 30, 2014

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PART I – FINANCIAL INFORMATION

Item A. Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2014 and for the nine-month period ended September 30, 2014 and 2013 (with Comparative Audited Statement of Financial Position as at December 31, 2013) are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2014 and 2013 and as of September 30, 2014 and December 31, 2013:

Summary Consolidated Statements of Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
	(In thousand pesos)		*(In thousand pesos)*	
Revenues	11,807,742	3,813,317	21,146,032	8,197,023
Cost and expenses	(3,918,729)	(2,268,719)	(8,175,024)	(5,477,138)
Finance income	44,532	37,203	800,974	128,337
Finance expenses	(32,928)	(32,903)	(109,095)	(85,338)
Equity in net income (losses) of an associate	110,342	(9,640)	401,930	(114,018)
Other income - net	368,809	246,917	466,594	399,024
Provision for income tax - net	(2,295,757)	(446,559)	(3,829,253)	(815,226)
Net income	6,084,011	1,339,616	10,702,158	2,232,664
Net income attributable to:				
Equity holders of the Parent	4,881,914	1,104,156	8,181,545	1,739,764
Non-controlling interests	1,202,097	235,460	2,520,613	492,900
	6,084,011	1,339,616	10,702,158	2,232,664

Summary Consolidated Statements of Financial Position

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	Increase (Decrease)	Percent Inc (Dec)
	(In Thousand Pesos)			
Current assets	24,600,543	14,601,036	9,999,507	68.5%
Noncurrent assets	15,491,920	14,312,492	1,179,428	8.2%
Total assets	40,092,463	28,913,528	11,178,935	38.7%
Current liabilities	3,955,085	1,308,963	2,646,122	202.2%
Noncurrent liabilities	2,270,514	2,392,777	(122,263)	-5.1%
Equity attributable to equity holders of the Parent	28,075,426	20,490,148	7,585,278	37.0%
Non-controlling interests	5,791,438	4,721,640	1,069,798	22.7%
Total liabilities and equity	40,092,463	28,913,528	11,178,935	38.7%
	-	-		

Summary Consolidated Statements of Cash Flows

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
	(In Thousand Pesos)		(In Thousand Pesos)	
Net cash flows generated from (used in):				
Operating activities	8,303,016	1,873,969	10,776,689	3,001,628
Investing activities	(1,427,833)	(149,881)	(2,603,295)	(1,550,230)
Financing activities	(512,795)	(503,912)	(2,232,764)	(1,254,188)
Net increase in cash and cash equivalents	6,362,388	1,220,176	5,940,630	197,210
Cash and cash equivalents, beginning	9,812,578	8,240,485	10,234,336	9,263,451
Cash and cash equivalents, end	16,174,966	9,460,661	16,174,966	9,460,661

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

Results of Operations

The following discussion and analysis is based on the unaudited interim consolidated financial statements for the nine months ended September 30, 2014 and 2013, prepared in conformity with Philippine Accounting Standards 34, *Interim Financial Reporting* and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Nine months ended September 30, 2014 compared with nine months ended September 30, 2013

Revenues

Our total revenues were ₱21,146.0 million for the nine months ended September 30, 2014 as compared to ₱8,197.0 million for the nine months ended September 30, 2013, an increase of ₱12,949.0 million or 158%.

Sale of ore

We sold an aggregate 14,256.3 thousand wet metric tonnes ("WMT") of nickel ore in the nine months ended September 30, 2014, an increase of 38% compared to 10,317.5 thousand WMT of nickel ore in the nine months ended September 30, 2013. Our sales in the nine months of 2014 included 1,559.1 thousand WMT of saprolite ore to Japanese customers, 7,153.3 thousand WMT of saprolite and limonite ore to our Chinese customers, 159.4 thousand WMT of limonite ore to an Australian customer and 5,384.5 thousand WMT of limonite ore to Coral Bay Nickel Corporation ("CBNC") and Taganito HPAL Nickel Corporation ("THNC"), compared to sales of 885.9 thousand WMT, 6,616.7 thousand WMT, nil and 2,814.9 thousand WMT, respectively, for the same period last year.

The growth in shipment volumes was largely the result of increased ore deliveries to the HPAL plants, in particular to the Taganito HPAL facility, now on its first full year of commercial operations. The said plant was still in its pre-operating stage during the same period last year. As a result, total ore deliveries to the two HPAL plants reached 5,384.5 thousand WMT in 2014 compared to 2,814.9 thousand WMT in 2013. The direct exports of ore likewise contributed to our higher shipments, increasing from 7,502.7 thousand WMT in 2013 to 8,871.8 thousand WMT in 2014.

Our revenue from sale of nickel ore was ₱20,638.6 million for the nine months of 2014 compared to ₱7,767.6 million in the same period last year, an increase of ₱12,871.0 million or 166%. The effect of the Indonesian ore export ban has led to a rapid surge in ore prices to Chinese customers, significantly higher than the increase experienced in London Metal Exchange (LME) prices. As a result, ore sales to our Japanese customers, whose selling price has been traditionally linked to LME prices, are now benchmarked to China prices on the basis of a negotiated price per WMT of ore starting April of this year. The average price received for ore sales to Japanese and Chinese customers totaling 8,712.5 thousand WMT of both saprolite and limonite ore during the nine months of the year amounted to $46.72 per WMT. This compares to an average $20.96 per WMT for the same period last year on a total of 7,502.7 thousand WMT of ore sold. The pricing of shipments to Japanese customers for the comparable period last year and the first quarter of this year, which were then correlated to the LME, were converted to the equivalent US dollar per WMT for comparison purposes.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which remain linked to LME prices, we realized an average of $7.87 per pound of payable nickel on 5,384.5 thousand WMT sold during the nine months of 2014. This compares to an average price of $6.89 per pound of payable nickel on 2,814.9 thousand WMT sold during the same period last year.

We own 60% of Rio Tuba Nickel Mining Corporation (“RTN”), which owns and operates the Rio Tuba mining operations. RTN’s revenue from sale of nickel ore was ₱5,201.1 million for the nine months of 2014 compared to ₱2,383.5 million for the nine months of 2013, an increase of ₱2,817.6 million or 118%. RTN sold an aggregate 4,559.8 thousand WMT of nickel ore in the nine months of 2014 compared to an aggregate 4,464.5 thousand WMT of nickel ore sold in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 493.2 thousand WMT or 189% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 460.5 thousand WMT or 28%. Further, the volume of limonite ore sold to CBNC increased by 62.5 thousand WMT or 2%.

RTN’s revenue from sale of limestone ore was ₱220.6 million for the nine months of 2014, as compared to ₱95.5 million in the same period last year, an increase of ₱125.1 million or 131%. A total of 293.5 thousand WMT of limestone ore was delivered to CBNC this period compared to 141.8 thousand WMT in the same period last year. In 2013, most of CBNC’s requirement for limestone ore was acquired from another supplier and this caused the lower limestone ore delivery last period. In addition, one of CBNC’s plants had undergone maintenance shutdown in 2013.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mining operations. TMC's operations became the largest and accounted for 41% of total shipments during the nine months of the year. TMC's revenue from sale of nickel ore was ₱7,911.3 million for the nine months ended September 30, 2014 as compared to ₱2,150.3 million for the nine months ended September 30, 2013, an increase of ₱5,761.0 million, or 268%. TMC sold an aggregate 5,792.5 thousand WMT of nickel ore in the nine months of this year as compared to an aggregate 2,490.9 thousand WMT of nickel ore in the same period last year. The volume of saprolite ore sold to Japanese customers increased by 210.0 thousand WMT or 53% and the volume of saprolite and limonite ore sold to Chinese customers increased by 584.4 thousand WMT or 32%. Further, TMC was able to deliver 2,778.8 thousand WMT of limonite ore to the new plant in 2014 whereas there was only 271.6 thousand WMT in 2013.

We own 100% of CMC, which owns and operates the Cagdianao mining operations. CMC's revenue from sale of nickel ore was ₱3,004.0 million for the nine months ended September 30, 2014 as compared to ₱521.7 million for the nine months ended September 30, 2013, an increase of ₱2,482.3 million, or 476%. CMC sold an aggregate 1,139.7 thousand WMT of nickel ore in the nine months of this year as compared to an aggregate 674.9 thousand WMT of nickel ore in the same period last year. Significant increase in sales revenue of CMC was mainly the result of favorable nickel price and higher volume of shipments in 2014 compared to 2013.

We own 100% of HMC, which owns and operates the Taganaan mining operations. HMC's revenue from sale of nickel ore was ₱4,301.7 million for the nine months ended September 30, 2014 as compared to ₱2,616.6 million for the nine months ended September 30, 2013, an increase of ₱1,685.1 million, or 64%. In the nine months of this year, HMC managed to sell an aggregate 2,764.4 thousand WMT of saprolite and limonite ore to Chinese customers compared to 2,657.1 thousand WMT in the same period last year. HMC posted higher revenue in the current period due to favorable nickel price.

Services and Others
Our revenue from services and others was ₱507.5 million for the nine months of 2014 compared to ₱429.4 million for the nine months of 2013, an increase of ₱78.1 million, or 18%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The main reason for the sudden increase in our revenues from services and others in 2014 was due to the increase in materials handling services provided by TMC to THNC, being the latter's first full year of commercial operations whereas in 2013, Taganito HPAL facility was still in its pre-operating stage.

Costs and Expenses
Our costs and expenses amounted to ₱8,175.0 million for the nine months ended September 30, 2014 compared to ₱5,477.1 million for the nine months ended September 30, 2013, an increase of ₱2,697.9 million, or 49%.

Cost of Sales
For the nine months of 2014, our cost of sales was ₱4,165.2 million compared to ₱3,282.0 million in the same period last year, an increase of ₱883.2 million, or 27%. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱1,509.9 million to ₱1,950.4 million, outside services from ₱709.3 million to ₱893.5 million, and depreciation and depletion from ₱608.2 million to ₱723.6 million. The increase in cost of sales

was highly attributable to the increase in shipment volumes by 38% in 2014 compared to the same period last year.

Cost of Services
Cost of services was ₱277.7 million for the nine months ended September 30, 2014 compared to ₱243.6 million for the nine months ended September 30, 2013, an increase of ₱34.1 million, or 14%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services by RTN and TMC to CBNC and THNC, respectively, plus the costs of maintaining the pier facility used by THNC. The surge in cost of services arises mainly from the 166% increase in volume handled for materials handling services rendered by TMC to THNC in the nine months of 2014. In the same period last year, the volume handled was only minimal.

Shipping and Loading
Shipping and loading costs were ₱1,502.0 million for the nine months ended September 30, 2014 compared to ₱1,024.5 million in the same comparable period last year, an increase of ₱477.5 million, or 47%. Aside from the 18% increase in volume of our direct export of ores to Japan, China and Australia, the increment in shipping and loading costs was also brought by additional barges hired/contracted due to dry-docking of three tugboats of RTN, repair of one LCT of TMC and dry-docking of two LCTs of HMC.

Marketing
Marketing costs were ₱144.5 million and ₱33.6 million for the nine months ended September 30, 2014 and 2013, respectively. Basically, the increase in marketing cost was due to higher commission paid by CMC, which is based on a certain percentage of its sales revenue, to its claim owner.

Excise Taxes and Royalties
Our excise taxes and royalties were ₱1,504.1 million for the nine months of 2014 compared to ₱474.2 million for the same period last year, an increase of ₱1,029.9 million, or 217%. The increase in excise taxes and royalties was attributable to the growth in our sales revenue this period as compared to the same period last year, particularly from TMC and CMC.

General and Administrative
General and administrative expenses were ₱581.5 million for the nine months of 2014 compared to ₱419.1 million for the nine months of 2013, an increase of ₱162.4 million, or 39%. The increase in taxes and licenses by ₱79.2 million and donations by ₱35.9 million caused the significant increase in the account. The increment in taxes and licenses pertains to the fringe benefit tax on stock option exercised during the period. In nine months of 2014, a total of 8.8 million shares were exercised as compared to only 1.9 million shares in 2013. In addition, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱44.90 in 2014 compared to ₱21.25 to ₱27.75 in 2013. Moreover, donations amounting to ₱31.5 million were given to the victims of super typhoon in Guiuan, Eastern Samar. The donations were used in the delivery of relief goods and building and reconstruction of houses. Aside from that, donations amounting to ₱3.5 million were also given to the Philippine General Hospital for the renovation of the wards.

Finance Income
Our finance income was ₱801.0 million for the nine months of 2014 compared to ₱128.3 million in the same comparable period last year, an increase of ₱672.7 million, or 524%. The significant increase in finance income pertains mainly to the one-time, non-cash gain on revaluation by RTN of its investment in CBNC that was subsequently declared as property dividend to the parent company.

Finance Expense
Our finance expense was ₱109.1 million for the nine months of 2014 compared to ₱85.3 million in the same comparable period last year, an increase of ₱23.8 million, or 28%. Basically, the movement in our finance expense arises from the increase in our loan guarantee service fee, which moved from ₱77.1 million to ₱102.9 million, due to additional loan drawn by THNC.

Equity in Net Income (Losses) of an Associate
Our equity in net income or loss of THNC was ₱401.9 million income and ₱114.0 million loss for the nine months of 2014 and 2013, respectively. The result of THNC's operations for the nine months ended September 30, 2014 and 2013 was a net income of US$40.0 million and a net loss of US$12.0 million, respectively.

Other Income - Net
Our other income - net for the nine months ended September 30, 2014 was ₱466.6 million compared to ₱399.0 million in the same comparable period last year, an increase of ₱67.6 million, or 17%. The significant increase in our other income - net was brought mainly by the movement in foreign exchange gains from ₱14.2 million to ₱204.7 million for the nine months of 2013 and 2014, respectively. In both periods, the Group was in net foreign currency denominated asset position but the average value of peso to dollar in 2014 of ₱44.26 was higher compared to ₱42.05 in 2013, thus the increase in foreign exchange gains. In addition, the increase in reversal of allowance for impairment losses from ₱18.7 million to ₱128.9 million also contributed to higher other income – net in the current period. However, the increase was partially offset by the decrease in dividend income and gain on sale of property and equipment and investment property. In 2013, CBNC paid dividends of ₱60.5 million and the Group sold its condominium units at a gain of ₱222.0 million and none of these happened in 2014.

Provision for (Benefit from) Income Tax
Net provision for income tax was ₱3,829.3 million for the three quarters of 2014 compared to ₱815.2 million for the three quarters of 2013, an increase of ₱3,014.1 million, or 370%.

Current
Our current provision for income tax for the nine months of 2014 was ₱3,733.1 million compared to ₱882.8 million for the nine months of 2013, an increase of ₱2,850.3 million, or 323% due to increase in our sales revenue.

Deferred
Our provision for deferred income tax for the nine months of 2014 was ₱96.1 million compared to a benefit from deferred income tax of ₱67.6 million in the same period last year, an increase in provision for deferred income tax of ₱163.7 million, or 242%. The provision for deferred income tax for the three quarters of 2014 was higher compared to the same period last year due to the following: 1) HMC's reversal of allowance for impairment losses with tax effect of ₱38.6 million; 2) CMC's application of its excess minimum corporate income tax against income tax due amounting to ₱19.8 million and de-recognition of its deferred income tax asset on allowance for

impairment losses on advances for future royalties amounting to ₱4.9 million due to allowance written-off; 3) tax effect of the parent company's application of net operating loss carry-over against its taxable income of ₱42.8 million. In 2013 the parent company was in net taxable loss position with deferred tax effect of ₱48.5 million; and 4) deferred tax effect of net unrealized foreign exchange gains of ₱43.3 million.

Net Income
As a result of the foregoing, our net income was ₱10,702.2 million for the nine months ended September 30, 2014 compared to ₱2,232.7 million for the same period last year. Net of non-controlling interests, our net income was ₱8,181.5 million in 2014 compared to ₱1,739.8 million in the same period last year.

Our core income, which was net of non-controlling interest and one-time, non-cash gain on revaluation of investment in CBNC, was ₱7,765.0 million and ₱1,739.8 million for the nine months ended September 30, 2014 and 2013, respectively.

Statement of Financial Position
As at September 30, 2014, total assets increased to ₱40,092.5 million from ₱28,913.5 million as of the end of 2013. Current assets increased to ₱24,600.5 million from ₱14,601.0 million mainly because of the increase in cash and cash equivalents from ₱10,234.3 million to ₱16,175.0 million; and trade and other receivables from ₱839.4 million to ₱3,076.3 million as a result of the increase in sales revenue for the period. In addition, AFS financial assets increased from ₱1,257.4 million to ₱2,559.4 million due to additional investment in various debt and equity securities.

The increase in noncurrent assets from ₱14,312.5 million to ₱15,491.9 million was brought mainly by the higher fair value of CBNC shares as compared to its cost. The fair value of CBNC shares, as recognized in the books of the Parent Company, amounted to ₱1,418.7 million while its cost amounted to ₱724.4 million only. The said shares were declared by RTN as property dividend to the Parent Company. In addition, investment in THNC increased from ₱4,112.1 million to ₱4,563.0 million due to favorable results of THNC's operations for the nine months ended September 30, 2014 as compared to year-end 2013.

Total current liabilities increased to ₱3,955.1 million as at September 30, 2014 from ₱1,309.0 million as at December 31, 2013 due to income taxes payable, which increased from ₱263.4 million to ₱2,172.6 million, and trade and other payables, which increased from ₱928.1 million to ₱1,663.7 million. Total noncurrent liabilities decreased to ₱2,270.5 million as at September 30, 2014 from ₱2,392.8 million as at December 31, 2013 due to payments of long-term debt amounting to ₱78.4 million and payments of rehabilitation cost amounting to ₱9.5 million. Deferred income tax liabilities also decreased from ₱486.2 million to ₱439.0 million.

Our equity net of non-controlling interests as at September 30, 2014 increased to ₱28,075.4 million from ₱20,490.1 million as of year-end 2013, due to net earnings for the period.

Statement of Cash Flows
The net cash from operating activities amounted to ₱10,776.7 million for the nine months ended September 30, 2014 compared to ₱3,001.6 million for the same period last year. Basically, the movement pertains to higher cash generated from operations as a result of the significant increase in sales revenue in the current period.

Net cash used in investing activities for the nine months ended September 30, 2014 and 2013 amounted to ₱2,603.3 million and ₱1,550.2 million, respectively. In 2014, acquisitions of additional AFS financial assets, mostly investments in funds or money market instruments, were higher by ₱1,041.6 million as compared to 2013.

For the nine months ended September 30, 2014 and 2013, the net cash used in financing activities amounting to ₱2,232.8 million and ₱1,254.2 million, respectively, arises mainly from payments of cash dividends.

As at September 30, 2014 and 2013, cash and cash equivalents amounted to ₱16,175.0 million and ₱9,460.7 million, respectively.

Top Five (5) Key Performance Indicators

LME price

Our products are mainly classified into three: 1)high-grade saprolite; 2) middle-grade saprolite; and 3) limonite (low nickel/high iron). We typically sell high- and middle-grade saprolite ore to our Japanese customers, particularly Pacific Metals Co., Ltd. ("PAMCO") and Sumitomo Metal Mining Co. Inc. ("SMM") under long-term agreements. For our Chinese customers, we market middle-grade saprolite and limonite ore on annual basis. We are also the exclusive supplier of limonite ore, also under a long-term agreement, to the Coral Bay HPAL facility and Taganito HPAL facility. The price of high- and middle-grade saprolite and limonite ore sold to Japan and China is based on China spot market price. As to high- and middle-grade saprolite, the price is closely correlated to LME Ni price, while limonite ore is closely correlated to international iron ore price index.

Nickel prices have historically exhibited considerable volatility. Nickel prices climbed from as low as US$4.25 per pound in March 2009 to a high of US$13.17 per pound in February 2011. The average LME nickel prices per pound for the nine months of 2014 and 2013 were US$7.81 and US$6.97, respectively.

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

Volume

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for nickel pig iron ("NPI") and carbon steel in China. Our sales of high-grade saprolite ore are mainly to PAMCO, who purchases our high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our middle-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our middle-grade saprolite ore and limonite ore sales to our Chinese customers is based on China spot market prices. In addition to sales of nickel ore to PAMCO, SMM and our customers in China, we sell limonite ore from our Rio

Tuba mine to the Coral Bay HPAL facility, in which we have a minority interest, and from our Taganito mine to the Taganito HPAL facility, in which we have a 22.5% equity interest. CBNC purchases an amount of limonite ore from us sufficient to meet its ore requirements. The Coral Bay HPAL facility has an annual capacity of 23,000 tonnes. The Taganito HPAL facility has an annual capacity of 30,000 tons of contained nickel over an estimated 30-year Project life.

The type and grade of ore that we mine

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

Mine Site Cash Cost per Volume Sold

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

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

The average mine site cash cost per volume sold for the nine months of 2014 was ₱329.93 per WMT on the basis of aggregate cash costs of ₱4,800.5 million. This compares to ₱342.43 per WMT during the same period in 2013 on the basis of aggregate cash costs of ₱3,581.5 million.

Currency exchange rates

We earn substantially all of our revenues in US$ while most of our expenses are paid in peso. The appreciation of the peso against the US$ effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents and other portfolio investments are denominated in US$, the appreciation of the peso against the US$ reduces the value of these assets in peso terms in our financial statements. Our current policy is not to hedge our exposure to foreign currency exchange risk.

The Group's average realized peso-to-dollar rates for the nine-month period ended September 30, 2014 and 2013 are ₱43.90 and ₱42.52, respectively.

Liquidity and Capital Resources

As of September 30, 2014 and December 31, 2013, our principal source of liquidity was cash from our operations. We incurred long-term debt to finance the construction of our Rio Tuba and Taganito pier facilities. We receive income from CBNC and THNC under throughput agreements whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for the use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreements have typically been sufficient to service our long-term debt.

As of September 30, 2014 and December 31, 2013, our working capital, defined as the difference between our current assets and current liabilities, was ₱20.6 billion and ₱13.3 billion, respectively. We expect to meet our working capital, capital expenditure and investment requirements from the cash flow coming from our operations and as well as debt that we have incurred to finance the construction of pier facilities at our Rio Tuba and Taganito properties. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

Qualitative and Quantitative Disclosures about Market Risk

Commodity Price Risk

The price of nickel is subject to fluctuations due to factors such as government policies, changes in global demand and global production of similar and competitive mineral products. We are exposed to commodity price risk based on fluctuations in the price of nickel on the LME and/or international iron ore price index. The price of high- and middle-grade saprolite ore sold to japan and China is closely correlated to LME nickel price, while limonite ore is closely correlated to international iron ore price index. The amounts payable under the contracts that govern our limonite ore sales to CBNC and THNC are based upon payable nickel delivered with the nickel ore. This payable nickel is priced using an average of LME spot prices over the period at which the nickel ore was delivered. To mitigate the impact of such price movements, the Company may opt to enter into commodity put option contracts.

Foreign Currency Risk

Our foreign currency risk results primarily from movements of the peso against the U.S. dollar and results primarily from the transaction exposure associated with transactions in currencies other than Peso. Such exposure arises from cash and cash equivalents, AFS financial assets, long-term debt and sales of beneficiated nickel ore denominated in US$. Because almost all of our revenues are earned in US$ while most of our expenses are paid in Peso, appreciation of the peso against the US$ effectively reduces our revenue without a corresponding reduction in our expenses and can result in a reduction in our net income. In addition, because a portion of our cash and cash equivalents, AFS financial assets and long-term debt are denominated in US$, the appreciation of the peso against the US$ reduces the value of our total assets and liabilities in peso terms in our consolidated financial statements. We are not currently a party to any foreign currency swap agreements and our policy is not to hedge foreign currency exchange risk.

To mitigate the effect of foreign currency risk, the Company will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign-currency denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the quoted equity securities that we own. Our exposure to equity price risk relates primarily to our AFS financial assets in various stocks of listed companies.

The Company's policy is to maintain the risk to an acceptable level. Movement in share price and market value of the assets are monitored regularly to determine impact on our financial position.

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

PART II – FINANCIAL SOUNDNESS INDICATORS

Please refer to the attached schedule.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
A. *Liquidity analysis ratios*		
Current ratio or working capital ratio	**6.22**	8.96
Quick ratio	**5.51**	7.43
Solvency ratio	**6.44**	7.31
B. *Financial leverage ratios*		
Debt ratio	**0.16**	0.14
Debt-to-equity ratio	**0.18**	0.16
Interest coverage ratio	**112.35**	29.72
Asset-to-equity ratio	**1.18**	1.16
C. *Profitability ratios*		
Gross profit margin	**79%**	57%
Net profit margin	**51%**	27%
Return on assets	**27%**	8%
Return on equity	**32%**	9%

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **NICKEL ASIA CORPORATION**

By:

Gerard H. Brimo
President and Chief Executive Officer

November 12, 2014

Emmanuel L. Samson
Senior Vice President and Chief Financial Officer

November 12, 2014

NICKEL ASIA CORPORATION
SEC FORM 17-Q
INDEX TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014
(With Comparative Audited Figures as at December 31, 2013)
(Amounts in Thousands)

	September 30, 2014	December 31, 2013
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱16,174,966**	₱10,234,336
Trade and other receivables (Note 5)	**3,076,261**	839,449
Inventories (Notes 6 and 10)	**2,310,681**	2,044,469
Available-for-sale (AFS) financial assets (Note 7)	**2,559,383**	1,257,370
Prepayments and other current assets	**479,252**	225,412
Total Current Assets	**24,600,543**	14,601,036
Noncurrent Assets		
AFS financial assets (Note 7)	**1,933,773**	1,181,568
Property and equipment (Note 8)	**6,789,803**	6,585,752
Investment property	**29,000**	29,000
Investment in an associate (Note 9)	**4,562,973**	4,112,126
Long-term stock pile inventory - net of current portion (Note 10)	**816,349**	981,463
Deferred income tax assets - net	**174,644**	344,443
Other noncurrent assets (Note 4)	**1,185,378**	1,078,140
Total Noncurrent Assets	**15,491,920**	14,312,492
TOTAL ASSETS	**₱40,092,463**	₱28,913,528
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱1,663,709**	₱928,113
Income tax payable	**2,172,637**	263,381
Current portion of long-term debt (Note 12)	**118,739**	117,469
Total Current Liabilities	**3,955,085**	1,308,963
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 12)	**1,357,020**	1,421,128
Deferred income tax liabilities – net	**439,046**	486,228
Deferred income - net of current portion	**72,276**	75,419
Provision for mine rehabilitation and decommissioning (Note 13)	**123,628**	130,927
Pension liability	**278,544**	279,075
Total Noncurrent Liabilities	**2,270,514**	2,392,777
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 14)	**1,271,200**	1,266,780
Additional paid-in capital	**8,240,675**	8,151,603
Other components of equity:		
Cost of share-based payment plan (Note 15)	**23,088**	49,524
Net valuation gains on AFS financial assets (Note 7)	**149,885**	99,506
Share in cumulative translation adjustment (Note 9)	**184,226**	140,201
Asset revaluation surplus	**33,342**	33,629
Retained earnings		
Unappropriated	**17,173,010**	9,748,905
Appropriated (Note 14)	**1,000,000**	1,000,000
	28,075,426	20,490,148
Non-controlling Interests	**5,791,438**	4,721,640
Total Equity	**33,866,864**	25,211,788
TOTAL LIABILITIES AND EQUITY	**₱40,092,463**	₱28,913,528

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Amounts in Thousands, Except Earnings per Share)

	2014	2013
	(Unaudited)	
REVENUES (Note 27)		
Sale of ore	**₱11,634,474**	₱3,624,310
Services and others	**173,268**	189,007
	11,807,742	3,813,317
COSTS AND EXPENSES		
Cost of sales (Note 17)	**1,836,684**	1,256,718
Cost of services (Note 18)	**88,808**	113,301
Excise taxes and royalties (Note 20)	**950,136**	252,986
Shipping and loading costs (Note 19)	**756,430**	487,033
General and administrative (Note 21)	**197,099**	137,243
Marketing	**89,572**	21,438
	3,918,729	2,268,719
FINANCE INCOME (Note 24)	**44,532**	37,203
FINANCE EXPENSES (Note 25)	**(32,928)**	(32,903)
EQUITY IN NET INCOME (LOSSES) OF AN ASSOCIATE (Note 9)	**110,342**	(9,640)
OTHER INCOME – Net (Note 26)	**368,809**	246,917
INCOME BEFORE INCOME TAX	**8,379,768**	1,786,175
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)		
Current	**2,175,810**	473,410
Deferred	**119,947**	(26,851)
	2,295,757	446,559
NET INCOME	**₱6,084,011**	₱1,339,616
Net income attributable to:		
Equity holders of the parent	**₱4,881,914**	₱1,104,156
Non-controlling interests	**1,202,097**	235,460
	₱6,084,011	₱1,339,616
Earnings per share:		
Basic	**₱1.93**	₱0.44
Diluted	**₱1.92**	₱0.44

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands, Except Earnings per Share)

	2014	2013
	(Unaudited)	
REVENUES (Note 27)		
Sale of ore	**₱20,638,554**	₱7,767,577
Services and others	**507,478**	429,446
	21,146,032	8,197,023
COSTS AND EXPENSES		
Cost of sales (Note 17)	**4,165,197**	3,281,999
Cost of services (Note 18)	**277,723**	243,634
Excise taxes and royalties (Note 20)	**1,504,124**	474,190
Shipping and loading costs (Note 19)	**1,501,963**	1,024,549
General and administrative (Note 21)	**581,524**	419,148
Marketing	**144,493**	33,618
	8,175,024	5,477,138
FINANCE INCOME (Note 24)	**800,974**	128,337
FINANCE EXPENSES (Note 25)	**(109,095)**	(85,338)
EQUITY IN NET INCOME (LOSSES) OF AN ASSOCIATE (Note 9)	**401,930**	(114,018)
OTHER INCOME – Net (Note 26)	**466,594**	399,024
INCOME BEFORE INCOME TAX	**14,531,411**	3,047,890
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)		
Current	**3,733,119**	882,788
Deferred	**96,134**	(67,562)
	3,829,253	815,226
NET INCOME	**₱10,702,158**	₱2,232,664
Net income attributable to:		
Equity holders of the parent	**₱8,181,545**	₱1,739,764
Non-controlling interests	**2,520,613**	492,900
	₱10,702,158	₱2,232,664
Earnings per share (Note 16):		
Basic	**₱3.24**	₱0.69
Diluted	**₱3.22**	₱0.69

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands)

	2014	2013
		(Unaudited)
NET INCOME	**₱10,702,158**	₱2,232,664
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income to be reclassified to consolidated statements of income in subsequent periods:		
Share in translation adjustment of an associate	**44,025**	208,431
Net valuation gains on AFS financial assets	**50,379**	27,968
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	**94,404**	236,399
Other comprehensive loss not to be reclassified to consolidated statements of income in subsequent periods:		
Asset revaluation surplus	**(287)**	(287)
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	**94,117**	236,112
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱10,796,275**	₱2,468,776
Total comprehensive income attributable to:		
Equity holders of the parent	**₱8,275,662**	₱1,975,876
Non-controlling interests	**2,520,613**	492,900
	₱10,796,275	₱2,468,776

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 14)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 15)	Net Valuation Gains on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment (Note 9)	Asset Revaluation Surplus	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 14)	Total	Non-controlling Interests	Total
Balances at December 31, 2013	**₱1,266,780**	**₱8,151,603**	**₱49,524**	**₱99,506**	**₱140,201**	**₱33,629**	**₱9,748,905**	**₱1,000,000**	**₱20,490,148**	**₱4,721,640**	**₱25,211,788**
Net income	–	–	–	–	–	–	8,181,545	–	8,181,545	2,520,613	10,702,158
Other comprehensive income (loss)	–	–	–	50,379	44,025	(287)	–	–	94,117	–	94,117
Total comprehensive income (loss)	–	–	–	50,379	44,025	(287)	8,181,545	–	8,275,662	2,520,613	10,796,275
Exercise of stock options (Note 15)	4,420	89,072	(29,845)	–	–	–	–	–	63,647	–	63,647
Cost of share-based payment (Note 15)	–	–	3,409	–	–	–	–	–	3,409	–	3,409
Cash dividends - ₱0.30 per common share (Note 14)	–	–	–	–	–	–	(757,727)	–	(757,727)	–	(757,727)
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	287	–	287	–	287
Share of non-controlling interest in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	–	(1,450,815)	(1,450,815)
Balances at September 30, 2014 (Unaudited)	**₱1,271,200**	**₱8,240,675**	**₱23,088**	**₱149,885**	**₱184,226**	**₱33,342**	**₱17,173,010**	**₱1,000,000**	**₱28,075,426**	**₱5,791,438**	**₱33,866,864**

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock	Additional Paid-in Capital	Cost of Share-based Payment Plan	Net Valuation Gains on AFS Financial Assets	Share in Cumulative Translation Adjustment	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2012, as previously stated	₱1,013,938	₱8,117,558	₱57,464	₱65,199	(₱136,909)	₱34,012	₱9,737,447	₱18,888,709	₱4,712,116	₱23,600,825
Effect of adoption of Revised Philippine Accounting Standards (PAS) 19	–	–	–	–	–	–	(12,283)	(12,283)	(6,838)	(19,121)
Balances at December 31, 2012, as restated	1,013,938	8,117,558	57,464	65,199	(136,909)	34,012	9,725,164	18,876,426	4,705,278	23,581,704
Net income	–	–	–	–	–	–	1,739,764	1,739,764	492,900	2,232,664
Other comprehensive income (loss)	–	–	–	27,968	208,431	(287)	–	236,112	–	236,112
Total comprehensive income (loss)	–	–	–	27,968	208,431	(287)	1,739,764	1,975,876	492,900	2,468,776
Exercise of stock options	926	34,045	(18,309)	–	–	–	–	16,662	–	16,662
Cost of share-based payment	–	–	9,556	–	–	–	–	9,556	–	9,556
Cash dividends - ₱0.35 per common share (Note 14)	–	–	–	–	–	–	(705,252)	(705,252)	–	(705,252)
Stock dividends (Note 14)	251,916	–	–	–	–	–	(251,916)	–	–	–
Share of non-controlling interest in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	(480,000)	(480,000)
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	287	287	–	287
Balances at September 30, 2013 (Unaudited)	₱1,266,780	₱8,151,603	₱48,711	₱93,167	₱71,522	₱33,725	₱10,508,047	₱20,173,555	₱4,718,178	₱24,891,733

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands)

	2014	2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱14,531,411**	₱3,047,890
Adjustments for:		
Depreciation and depletion (Note 23)	**1,015,663**	931,132
Gain on revaluation of AFS financial asset (Note 24)	**(694,312)**	–
Equity in net losses (income) of an associate (Note 9)	**(401,930)**	114,018
Interest income (Note 24)	**(106,662)**	(124,008)
Interest expense (Notes 12, 18 and 25)	**27,625**	29,081
Unrealized foreign exchange losses - net	**13,990**	90,173
Gain on sale of property and equipment and investment property (Note 26)	**(7,670)**	(221,960)
Dividend income (Note 26)	**(5,538)**	(61,313)
Cost of share-based payment plan (Notes 15 and 22)	**3,409**	9,556
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 13 and 25)	**2,177**	1,503
Movements in pension liability	**(531)**	30,752
Loss (gain) on transfer from equity to profit or loss of AFS financial assets - net (Notes 24 and 25)	**39**	(4,329)
Operating income before working capital changes	**14,377,671**	3,842,495
Decrease (increase) in:		
Trade and other receivables	**(2,232,582)**	(317,812)
Inventories	**(101,098)**	22,979
Prepayments and other current assets	**(253,840)**	(81,495)
Increase in trade and other payables	**730,350**	135,180
Net cash generated from operations	**12,520,501**	3,601,347
Interest received	**102,432**	137,188
Income taxes paid	**(1,823,863)**	(712,381)
Interest paid	**(22,381)**	(24,526)
Net cash flows from operating activities	**10,776,689**	3,001,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 8)	**(1,280,941)**	(1,437,387)
AFS financial assets (Note 7)	**(1,317,537)**	(275,939)
Proceeds from:		
Sale of property and equipment and investment property	**68,897**	279,015
Sale of AFS financial assets	**31,129**	109,397
Dividends received	**5,538**	61,313
Decrease in deferred income	**(3,143)**	(7,083)
Increase in other noncurrent assets	**(107,238)**	(279,546)
Net cash flows used in investing activities	**(2,603,295)**	(1,550,230)

(Forward)

	2014	2013
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(₱2,208,542)**	(₱1,185,252)
Long-term debt	**(78,393)**	(85,598)
Rehabilitation cost	**(9,476)**	–
Proceeds from exercise of stock options	**63,647**	16,662
Net cash flows used in financing activities	**(2,232,764)**	(1,254,188)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,940,630**	197,210
CASH AND CASH EQUIVALENTS AT JANUARY 1	**10,234,336**	9,263,451
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30 (Note 4)	**₱16,174,966**	₱9,460,661

See accompanying Notes to Consolidated Financial Statements.

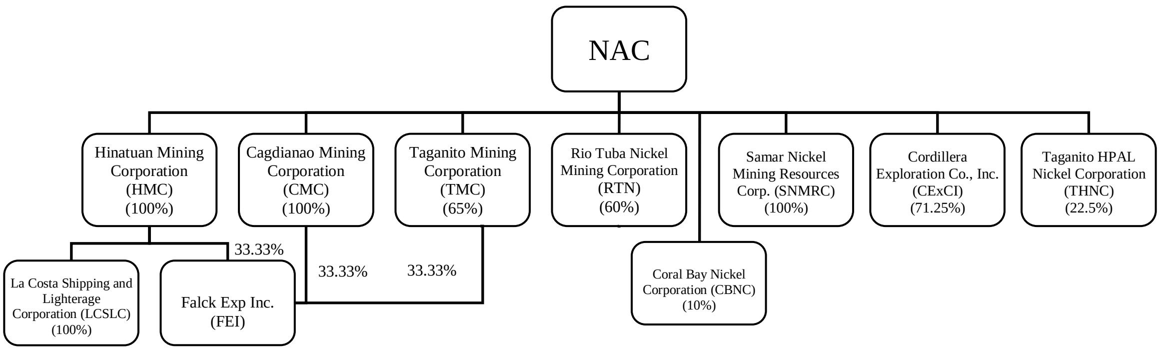
NICKEL ASIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

1. Corporate Information

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

On November 22, 2010, the Company was listed on the Philippine Stock Exchange with an initial public offering (IPO) of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱8.00 per share after the stock dividends (see Note 14).

Parent Company Ownership Map



The Subsidiaries

HMC

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

CMC

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

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

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

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

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

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

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

On August 15, 2014, the SEC approved the amendment of the Company's Articles of Incorporation to reflect the change in its principal office address to 28th Floor NAC Tower 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The interim consolidated financial statements as at September 30, 2014 and December 31, 2013 and for the nine-month period ended September 30, 2014 and 2013, were authorized for issuance by the Parent Company's BOD on November 10, 2014.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The accompanying interim consolidated financial statements of the Group as at September 30, 2014 and for the nine-month period ended September 30, 2014 and 2013 have been prepared in accordance with PAS 34, *Interim Financial Reporting*.

Accordingly, the unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at December 31, 2013.

Basis of Consolidation

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

	Country of Domicile	Principal Activities	Effective Ownership
Subsidiaries			
HMC	Philippines	Mining and Services	100.00%
CMC	Philippines	Mining	100.00%
SNMRC	Philippines	Mining	100.00%
CEXCI	Philippines	Mining	71.25%
LCSLC*	Philippines	Services	100.00%
FEI*	Philippines	Mining	88.00%
TMC	Philippines	Mining and Services	65.00%
RTN	Philippines	Mining and Services	60.00%
Associate			
THNC	Philippines	Manufacturing	22.50%

*Direct and indirect ownership

Subsidiaries

Subsidiaries are entities over which the Parent Company has control.

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

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations as at January 1, 2014, noted below:

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of Philippine Financial Reporting Standards (PFRS) 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as

reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

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

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

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

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

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

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

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

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

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

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

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

b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

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

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

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

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

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

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

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of

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

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the

effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The amendment has no impact on the Group's financial position or performance.

After consideration of the result of the impact evaluation using the outstanding balances of financial statements as at December 31, 2013, the Group did not early adopt any standard, interpretation or amendment that has been issued but is not yet effective. The Group will, however, continue to evaluate the impact of the standards, interpretations and amendments in our financial statements for the year 2014.

3. **Seasonality of Operations**

Mining operations at the majority of the Group's mines are suspended and are often unable to load ore into shipping vessels during the rainy season. This seasonality results in quarter-to-quarter volatility in the Group's operating results with more revenue being earned and more expenses being incurred in the second and third fiscal quarters than in the first and fourth fiscal quarters.

4. **Cash and Cash Equivalents**

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash on hand and with banks	**₱4,514,689**	₱4,981,843
Short-term cash investments	**11,660,277**	5,252,493
	₱16,174,966	₱10,234,336

Cash with banks amounting to ₱57.0 million and ₱65.1 million as at September 30, 2014 and December 31, 2013, respectively, representing proceeds from the IPO, were deposited in escrow and are restricted as to withdrawal for specified purpose and thus, classified as "Other noncurrent assets".

5. **Trade and Other Receivables**

Receivables amounting to ₱37.9 million and ₱38.9 million as at September 30, 2014 and December 31, 2013, respectively, were impaired and fully provided for with allowance for impairment losses.

The aging analysis of the Group's trade and other receivables as at September 30, 2014 and December 31, 2013 are summarized below:

September 30, 2014 (Unaudited)	**Neither Past Due Nor Impaired (High)**	**Past Due But Not Impaired (30-180 days)**	**Past Due and Individually Impaired**	**Total**
Trade and other receivables:				
Trade (see Note 27)	**₱2,477,263**	**₱247,403**	**₱25,123**	**₱2,749,789**
Advances to suppliers and contractors	**67,624**	**10,328**	**–**	**77,952**
Receivable from CBNC	**17,747**	**11,753**	**–**	**29,500**
Amounts owed by related parties (see Note 27)	**114,488**	**–**	**–**	**114,488**
Others	**108,684**	**20,971**	**12,775**	**142,430**
Total	**₱2,785,806**	**₱290,455**	**₱37,898**	**₱3,114,159**

December 31, 2013 (Audited)	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Trade and other receivables:				
Trade (see Note 27)	₱628,418	₱–	₱26,150	₱654,568
Advances to suppliers and contractors	63,154	–	–	63,154
Receivable from CBNC	50,049	–	–	50,049
Amounts owed by related parties (see Note 27)	9,212	–	–	9,212
Others	88,616	–	12,793	101,409
Total	₱839,449	₱–	₱38,943	₱878,392

6. Inventories

As at September 30, 2014 and December 31, 2013, inventories amounting to ₱248.3 million and ₱374.3 million were assessed to be impaired and were provided for with allowance. For the nine-month period ended September 30, 2014 and 2013, the provision for inventory losses amounted to ₱1.2 million and nil, respectively, and the reversal of allowance for impairment losses on inventory amounted to ₱128.8 million and ₱18.7 million, respectively.

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱407.0 million and ₱677.2 million as at September 30, 2014 and December 31, 2013, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱321.5 million and ₱294.2 million as at September 30, 2014 and December 31, 2013, respectively.

7. **AFS Financial Assets**

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.

During the nine-month period ended September 30, 2014 and 2013, the Group acquired various AFS financial assets amounting to ₱1,317.5 million and ₱275.9 million, respectively, and disposed AFS financial assets amounting to ₱33.3 million and ₱105.1 million, respectively.

Dividend income earned from AFS financial assets amounted to ₱5.5 million and ₱61.3 million for the nine-month period ended September 30, 2014 and 2013, respectively (see Note 26).

8. **Property and Equipment**

During the nine-month period ended September 30, 2014 and 2013, the Group acquired assets with a cost of ₱1,280.9 million and ₱1,437.4 million, respectively, including construction in-progress.

Pier facilities (included under "Buildings and Improvements") with a carrying value of ₱122.1 million and ₱150.3 million as at September 30, 2014 and December 31, 2013, respectively, were mortgaged as collateral for the long-term debt of RTN mentioned in Note 12.

Depreciation expense for the nine-month period ended September 30, 2014 and 2013 amounted to ₱1,015.7 million and ₱929.1 million, respectively (see Note 23).

9. **Investment in an Associate**

The investment in an associate pertains to the Parent Company's 22.5% interest in THNC with an acquisition cost of ₱4,443.1 million.

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. Its principal activities consist of the manufacture and export of nickel/cobalt mixed sulfide. THNC started its commercial operations in October 2013 after the construction of its manufacturing plant in Surigao del Norte.

The net assets of THNC amounted to ₱19,811.5 million and ₱17,825.9 million as at September 30, 2014 and December 31, 2013, respectively. The result of THNC's operations for the nine months ended September 30, 2014 and 2013 was a net income of ₱1,786.4 million and a net loss of ₱506.7 million, respectively. The Parent Company's share in cumulative translation adjustment amounted to ₱184.2 million and ₱140.2 million as at September 30, 2014 and December 31, 2013, respectively, and its equity in net income or losses of an associate amounted to ₱401.9 million income and ₱114.0 million loss for the nine months ended September 30, 2014 and 2013, respectively.

10. **Long-term Stock Pile Inventory**

The long-term stock pile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN. The low grade ore inventory was initially recognized and valued at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC. Subsequently, this fair value represented the cost of the long-term stock pile inventory. The fair value of the inventory as at the date of acquisition amounted to ₱2,036.7 million.

A portion amounting to ₱188.5 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next accounting period, were shown as part of "Inventories" as at September 30, 2014 and December 31, 2013, and the cost of the inventory delivered to CBNC for the period ended September 30, 2014 and 2013 of ₱165.1 million and ₱125.3 million, respectively, was included as part of "Cost of sales" (see Note 17).

The carrying value of long-term stock pile - net of current portion amounted to ₱816.3 million and ₱981.5 million as at September 30, 2014 and December 31, 2013, respectively.

11. **Trade and Other Payables**

Trade and other payables include amounts payable to regular suppliers, accrued expenses, excise, withholding and other taxes payable and other payables. Trade, accrued expenses and other payables are noninterest-bearing and are generally settled in less than thirty (30) days' term. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Royalties are paid on or before the deadline agreed with the Mines and Geosciences Bureau or other parties. Withholding taxes are payable ten (10) days after the end of each month. Output tax is derived from other revenues which can be offset against input tax.

12. **Long-term Debt**

	September 30, 2014	December 31, 2013
	(Unaudited)	(Audited)
TMC	**₱1,335,031**	₱1,359,597
RTN	**140,728**	179,000
	₱1,475,759	₱1,538,597
Less current portion:		
TMC	**78,531**	77,691
RTN	**40,208**	39,778
	118,739	117,469
	₱1,357,020	₱1,421,128

TMC Loan
On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to $35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread, to finance the construction of the pier facilities within the Taganito Special Economic Zone. The loan shall be drawn down in one or multiple times by July 31, 2011.

Starting 2011, the interest on the loans is payable semi-annually on October 10 and April 10. The total principal is payable in semi-annual installments of $875,000, starting on October 10, 2011 up to April 10, 2031.

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all governmental approvals necessary to perform the obligations. As at September 30, 2014 and December 31, 2013, TMC is in compliance with the restrictions.

TMC settled ₱37.8 million (or US$0.9 million) of long-term debt which became due in April 2014 and 2013, respectively.

Interest expense for the nine months ended September 30, 2014 and 2013 which amounted to ₱23.6 million and ₱25.4 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 18).

RTN Loan
On November 25, 2002, RTN entered into an Omnibus Agreement with Sumitomo Metal Mining Co. Inc. (SMM), wherein the latter granted the former a loan facility amounting to US$1.8 million at prevailing 180-day LIBOR plus two percent (2%) spread, for the construction of the pier facilities.

In July 2003, an additional loan amounting to US$0.2 million was granted by SMM. Starting 2003, the interest on the original and additional loans is payable semi-annually on February 28 and August 31. The total principal is payable in 20 equal semi-annual installments starting 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 during February and March 2008. The additional loan facility is payable in semi-annual installments starting August 31, 2008 up to February 28, 2018.

In consideration, and to ensure payment of these loans, RTN assigned, transferred, and set over to SMM, absolutely and unconditionally, all of RTN's rights, title, and interest over its future receivable from CBNC under the Throughput Agreement. RTN also constituted a first ranking mortgage on the pier facilities.

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 September 30, 2014 and December 31, 2013, RTN is in compliance with the restrictions.

RTN settled ₱39.3 million (or US$0.9 million) and ₱47.8 million (or US$1.1 million) of long-term debt which became due in February and August of 2014 and 2013, respectively.

Interest expense which formed part of "Finance expense" amounted to ₱2.8 million and ₱3.7 million for the nine months ended September 30, 2014 and 2013, respectively (see Note 25).

13. **Provision for Mine Rehabilitation and Decommissioning**

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

For the nine-month period ended September 30, 2014 and 2013, accretion expense amounted to ₱2.2 million and ₱1.5 million, respectively (see Note 25).

14. **Equity**

Capital Stock
The capital structure of the Parent Company as at September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Common stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares		
Issued - 2,527,999,241 shares in 2014 and 2,519,159,345 shares in 2013	**₱1,264,000**	₱1,259,580
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
Total	**₱1,271,200**	₱1,266,780

As at September 30, 2014 and December 31, 2013, the Parent Company has fifty (50) and forty-five (45) stockholders, respectively.

As at September 30, 2014 and December 31, 2013, a total of 709,385,134 or 28% and 803,135,234 or 32%, respectively, of the outstanding common shares of the Parent Company are registered in the name of forty-eight (48) and forty-three (43) shareholders, respectively, while the balance of 1,818,614,107 common shares or 72% and 1,716,024,111 common shares or 68%, respectively, are lodged with the Philippine Depository and Trust Corporation.

Dividends
On March 24, 2014, the Parent Company's BOD declared cash dividends amounting to ₱757.7 million, equivalent to ₱0.30 per share, to stockholders of record as at April 10, 2014 which were paid on May 8, 2014.

On April 5, 2013, the Parent Company's BOD declared cash dividends amounting to ₱705.3 million, equivalent to ₱0.35 per share, to stockholders of record as at April 22, 2013 which were paid on May 14, 2013.

On June 3, 2013, the Parent Company's stockholders declared twenty-five percent (25%) stock dividends on the outstanding common shares amounting to ₱251.9 million, equivalent to ₱0.50 per share, to stockholders of record as at June 18, 2013 which were issued on July 12, 2013. The stock dividends correspond to 503.8 million common shares.

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.

15. Executive Stock Option Plan (ESOP)

On June 16, 2010, the BOD and stockholders of the Parent Company approved the Employee Stock Option Plan (ESOP; the Plan). On December 20, 2010, the Plan was approved by the SEC.

The basic terms and conditions of the ESOP are:

1. The ESOP covers up to 12.0 million shares allocated to Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with a position of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱13.50, which is equivalent to ₱7.20 per share after the stock dividends.
4. The grant date of the Plan is January 3, 2011 as determined by the Stock Option 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 31, 2011 between the Parent Company and the option grantees.

The fair value of the stock options was estimated as at grant date, January 3, 2011, using the BlackScholes-Merton model, taking into account the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the stock options at effective grant date:

Grant Date	January 3, 2011
Spot price per share	₱15.0
Exercise price	₱13.5
Expected volatility	60.34%
Option life	3.967 years
Dividend yield	2.06%
Risk-free rate	4.50%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Except for the effect of stock dividends, there have been no cancellations or modifications to the ESOP in 2014 and 2013.

On June 6, 2014, the BOD and stockholders of the Parent Company approved the adoption of a new Plan for the officers of the Parent Company and its operating subsidiaries, including the Resident Mine Managers. Directors are also eligible to participate in the Plan.

The following table illustrates the number of, and movements in, stock options:

	Number of shares	
	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Outstanding at beginning of year	**15,150,313**	13,971,473
Exercised	**(8,839,896)**	(1,851,218)
Adjustment for stock dividends	**–**	3,030,058
Outstanding at end of period	**6,310,417**	15,150,313

The number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) and fifty percent (50%) stock dividends.

On September 2, 2013 and March 19, 2013, SEC approved the exemption from registration of 3,030,058 and 4,457,156 common shares, representing 25% and 50% stock dividends, respectively, which form part of the ESOP.

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

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Balances at beginning of year	**₱49,524**	₱57,464
Cost of share-based payment recognized as capital upon exercise	**(29,845)**	(18,309)
Stock option expense (see Note 22)	**3,409**	10,369
Movements during the period	**(26,436)**	(7,940)
Balances at end of period	**₱23,088**	₱49,524

Cost of share-based payments for the nine months ended September 30, 2014 and 2013 amounted to ₱3.4 million and ₱9.6 million, respectively (see Note 22).

16. **Basic Earnings Per Share**

Basic earnings per common share (EPS) were computed as follows:

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
a. Net income attributable to equity holders of the Parent	**₱8,181,545**	₱1,739,764
b. Weighted average number of common shares issued and outstanding (in thousands)	**2,525,486**	2,518,343
Basic EPS (a/b)	**₱3.24**	₱0.69

Diluted EPS were computed as follows:

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
c. Net income attributable to equity holders of the Parent	**₱8,181,545**	₱1,739,764
d. Weighted average number of common shares issued and outstanding (in thousands)	**2,542,361**	2,529,593
Diluted EPS (a/b)	**₱3.22**	₱0.69

17. **Cost of Sales**

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Production overhead	**₱1,950,440**	₱1,509,891
Outside services	**893,483**	709,251
Depreciation and depletion (see Note 23)	**723,580**	608,194
Personnel costs (see Note 22)	**548,635**	456,369
Long-term stockpile inventory sold (see Note 10)	**165,113**	125,297
	4,281,251	3,409,002
Net changes in beneficiated nickel ore and limestone ore	**(116,054)**	(127,003)
	₱4,165,197	₱3,281,999

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

18. Cost of Services

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Depreciation and depletion (see Note 23)	**₱95,851**	₱95,656
Personnel costs (see Note 22)	**60,251**	44,131
Overhead	**59,547**	37,371
Equipment operating costs (see Note 12)	**48,487**	57,287
Outside services	**13,587**	9,189
	₱277,723	₱243,634

19. Shipping and Loading Costs

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Contract fees	**₱937,349**	₱572,809
Fuel, oil and lubricants	**228,988**	165,470
Depreciation and depletion (see Note 23)	**94,061**	118,517
Materials and supplies	**84,196**	52,050
Personnel costs (see Note 22)	**54,025**	52,780
Other services and fees	**103,344**	62,923
	₱1,501,963	₱1,024,549

20. Excise Taxes and Royalties

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Excise taxes	**₱412,771**	₱155,352
Royalties	**1,091,353**	318,838
	₱1,504,124	₱474,190

21. **General and Administrative Expenses**

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Taxes and licenses	**₱147,436**	₱68,208
Personnel costs (see Note 22)	**137,965**	152,163
Depreciation and depletion (see Note 23)	**65,991**	62,887
Professional fees	**42,368**	30,301
Donations	**35,939**	63
Transportation and travel	**15,259**	12,546
Repairs and maintenance	**13,861**	4,058
Outside services	**13,026**	10,397
Entertainment, amusement and recreation	**7,479**	6,178
Communications, light and water	**6,453**	9,213
Others	**95,747**	63,134
	₱581,524	₱419,148

Other general and administrative expenses is composed of dues and subscription expense, rentals, other service fees, materials and supplies used, bank charges, insurance expense and other numerous transactions with minimal amounts.

Donations amounting to ₱31.5 million were given to the victims of super typhoon in Guiuan, Eastern Samar which were used in the delivery of relief goods and building and reconstruction of houses; and ₱3.5 million to the Philippine General Hospital for the renovation of wards.

22. **Personnel Costs**

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Salaries, wages and employee benefits	**₱797,467**	₱695,887
Cost of share-based payment plan (see Note 15)	**3,409**	9,556
	₱800,876	₱705,443

The amounts of personnel costs are distributed as follows:

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Cost of sales (see Note 17)	**₱548,635**	₱456,369
General and administrative (see Note 21)	**137,965**	152,163
Cost of services (see Note 18)	**60,251**	44,131
Shipping and loading costs (see Note 19)	**54,025**	52,780
	₱800,876	₱705,443

23. **Depreciation and Depletion**

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Property and equipment (see Note 8)	**₱1,015,663**	₱929,082
Investment property	**–**	2,050
	₱1,015,663	₱931,132

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

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Cost of sales (see Note 17)	**₱723,580**	₱608,194
Cost of services (see Note 18)	**95,851**	95,656
Shipping and loading costs (see Note 19)	**94,061**	118,517
General and administrative (see Note 21)	**65,991**	62,887
Others	**36,180**	45,878
	₱1,015,663	₱931,132

24. **Finance Income**

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Gain on revaluation of AFS financial asset	**₱694,312**	₱–
Interest income	**106,662**	124,008
Gain on transfer from equity to profit or loss of AFS financial assets	**–**	4,329
	₱800,974	₱128,337

Gain on revaluation of AFS financial asset arises from RTN's revaluation of its 58,749,999 shares in CBNC. The said shares were subsequently declared as property dividend to the Parent Company.

25. **Finance Expenses**

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Guarantee service fee	**₱102,880**	₱77,060
Interest expense (see Note 12)	**3,999**	3,661
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 13)	**2,177**	1,503
Loss on transfer from equity to profit or loss of AFS financial assets	**39**	–
Provision for impairment loss on trade and other receivables	**–**	3,114
	₱109,095	₱85,338

26. **Other Income** - Net

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Foreign exchange gains - net	**₱204,695**	₱14,185
Reversals of allowance for impairment losses	**128,865**	18,714
Despatch	**33,013**	37,878
Rentals and accommodations	**13,083**	3,128
Issuance of fuel, oil and lubricants	**10,480**	6,444
Gain on sale of property and equipment and investment property	**7,670**	221,960
Dividend income (see Note 7)	**5,538**	61,313
Other services	**2,812**	3,662
Provision for impairment losses	**(1,224)**	–
Others	**61,662**	31,740
	₱466,594	₱399,024

27. Related Party Transactions

Set out below are the Group's transactions with related parties for the nine-month period ended September 30, 2014 and 2013, including the corresponding assets and liabilities arising from the said transactions as at September 30, 2014 (Unaudited) and December 31, 2013 (Audited):

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 12)		Terms	Conditions
	September 30, 2014	September 30, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013		
Stockholders												
Pacific Metals Co., Ltd. (PAMCO)												
Sale of ore and services	**₱3,596,939**	₱1,151,075	**₱462,712**	₱5,948	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Draft survey fee	**–**	–	**–**	54	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**–**	–	**–**	1,080	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM												
Sale of ore	**714,423**	113,430	**139,203**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee	**102,880**	77,060	**–**	–	**11,954**	39,549	**–**	–	**–**	–	Every twenty first (21) of February and August	Unsecured
Short-term advances	**–**	–	**–**	–	**–**	–	**–**	532	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 12)		Terms	Conditions
	September 30, 2014	September 30, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013		
SMM												
Loan facility	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱140,728**	₱179,000	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Nickel Asia Holdings Inc.												
Dividends payable	**–**	–	–	–	**2,016**	2,016	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
With Common Stockholders												
CBNC												
Sale of ore and services	**1,639,843**	1,263,937	**247,968**	200,454	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**35,844**	40,501	**12,000**	23,983	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**95,619**	43,526	**17,500**	26,066	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**–**	–	**–**	–	**–**	–	**–**	63	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends received	**–**	60,480	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Fully collected

(Forward)

	Amount		Trade and Other Receivables (see Note 5)		Trade and Other Payables		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 12)		Terms	Conditions
	September 30, 2014	September 30, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013		
With Common Stockholders												
Manta Equities, Inc.												
Short-term advances	**₱48**	₱1,126	**₱–**	₱745	**₱–**	₱–	**₱5**	₱83	**₱–**	₱–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Others	**–**	–	**–**	3,580	**–**	1,451	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Emerging Power Inc.												
Loan facility	**–**	–	**–**	–	**–**	–	**105,000**	–	**–**	–	Principal is payable in annual installments, interest is at 2%	Unsecured
Associate												
THNC												
Sale of ore	**1,022,212**	78,840	**38,710**	75,638	**–**	–	**–**	–	**–**	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**288,738**	171,261	**127,162**	73,851	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Loan facility	**–**	–	**–**	–	**–**	–	**–**	–	**1,335,031**	1,359,597	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Short-term advances	**–**	**–**	**–**	–	**–**	–	**9,483**	8,534	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
			₱1,045,255	₱411,399	**₱13,970**	₱43,016	**₱114,488**	₱9,212	**₱1,475,759**	₱1,538,597		

Terms and Conditions of Transactions with Related Parties
All sales and purchases from related parties are made at prevailing market prices. Outstanding balances as at September 30, 2014 and December 31, 2013 pertain to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash.

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 for the nine months ended September 30, 2014 and 2013 amounted to about ₱107.5 million and ₱101.7 million, respectively.

28. Income Taxes

The provision for current income tax shown in the interim consolidated statements of income includes:

	For the nine-month period ended September 30	
	2014	2013
	(Unaudited)	
Current	**₱3,733,119**	₱882,788
Deferred	**96,134**	(67,562)
	₱3,829,253	₱815,226

29. Financial Instruments

Fair Value Information and Categories of Financial Instruments
Set out below is the fair values of all the Group's financial instruments that are carried in the consolidated financial statements.

	Fair Values	
	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
FINANCIAL ASSETS		
Loans and Receivables		
Cash and cash equivalents	**₱16,174,966**	₱10,234,336
Cash on hand and with banks	4,514,689	4,981,843
Short-term cash investments	11,660,277	5,252,493
Trade and other receivables	**2,998,309**	776,295
Trade	2,724,666	628,418
Receivable from CBNC	29,500	50,049
Amounts owed by related parties	114,488	9,212
Others	129,655	88,616
Other noncurrent assets	**310,641**	237,584
Mine rehabilitation fund	192,753	125,467
Cash held in escrow	57,009	65,118
Long-term negotiable instrument	30,000	30,000
SDMP fund	30,879	16,999
	₱19,483,916	₱11,248,215

	Fair Values	
	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
AFS Financial Assets	**₱4,493,156**	₱2,438,938
Quoted equity securities	991,742	877,982
Quoted debt securities	1,888,575	642,430
Unquoted equity securities	1,612,839	918,526
	₱23,977,072	₱13,687,153
FINANCIAL LIABILITIES		
Other Financial Liabilities		
Trade and other payables	**₱1,246,920**	₱785,670
Trade	829,616	475,971
Accrued expenses	365,656	241,222
Dividends payable	2,016	–
Retention payable	11,921	34,168
Others	37,711	34,309
Long-term debt	**1,475,759**	1,538,597
	₱2,722,679	₱2,324,267

Fair Value Hierarchy of Financial Instruments

All financial instruments carried at fair value are categorized in three categories, defined as follows:

Level 1: Quoted market prices
Level 2: Valuation techniques (market observable)
Level 3: Valuation techniques (non-market observable)

As at September 30, 2014 and December 31, 2013, the Group's AFS financial assets are classified under Level 1 and 3.

As at September 30, 2014 and December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30. **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, limonite ore and limestone ore.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC and THNC.

Financial information on the operation of the various business segments are set out on next page.

	September 30, 2014 (Unaudited)							
	Mining				Services and Others			
	HMC	CMC	TMC	RTN	RTN/TMC/LCSLC/ HMC	Others	Eliminations	Total
External customers	4,301,723	3,003,957	7,911,256	5,421,618	507,478	-	-	21,146,032
Inter-segment revenues	-	-	-	-	74,850	572,672	(647,522)	-
Total revenues	4,301,723	3,003,957	7,911,256	5,421,618	582,328	572,672	(647,522)	21,146,032
Cost of sales	865,022	420,724	1,248,796	1,466,299	-	-	164,356	4,165,197
Cost of services	-	-	-	-	321,602	-	(43,879)	277,723
Excise taxes and royalties	301,121	421,935	632,900	148,168	-	-	-	1,504,124
Shipping and loading costs	436,104	194,110	611,107	279,106	13,884	-	(32,348)	1,501,963
Marketing	150,560	171,109	216,066	118,123	-	-	(511,365)	144,493
Segment operating earnings	2,548,916	1,796,079	5,202,387	3,409,922	246,842	572,672	(224,286)	13,552,532
General and administrative	166,749	30,636	150,711	84,156	2,007	260,756	(113,491)	581,524
Finance income	7,418	3,334	16,485	717,774	19	55,944	-	800,974
Finance expense	39	1,184	1,313	4,282	-	102,432	(155)	109,095
Provision for (benefit from) income tax	687,609	484,257	1,580,806	1,052,631	24,862	51,163	(52,075)	3,829,253
Net income (loss) attributable to equity holders of the parent	1,921,764	1,346,355	3,691,132	3,198,452	80,875	3,491,220	(5,548,253)	8,181,545
Segment assets	4,100,880	2,858,263	11,400,070	6,573,538	75,802	19,394,292	(4,485,026)	39,917,819
Deferred income tax assets - net	39,748	63,664	39,732	4,709	-	26,791	-	174,644
Total assets	4,140,628	2,921,927	11,439,802	6,578,247	75,802	19,421,083	(4,485,026)	40,092,463
Segment liabilities	1,462,045	680,005	3,255,404	999,369	3,757	179,163	(793,190)	5,786,553
Deferred income tax liabilities - net	-	-	-	-	-	-	439,046	439,046
Total liabilities	1,462,045	680,005	3,255,404	999,369	3,757	179,163	(354,144)	6,225,599
Capital expenditures	414,299	184,425	463,100	171,575	3,225	163,643	(119,326)	1,280,941
Depreciation, amortization and depletion	124,400	63,490	408,208	358,517	8,532	51,909	607	1,015,663

	December 31, 2013 (Audited)							
	Mining				Services and Others			
	HMC	CMC	TMC	RTN	RTN/TMC/LCSLC	Others	Eliminations	Total
External customers	3,438,856	737,906	3,109,101	3,189,634	623,942	10,090	-	11,109,529
Inter-segment revenues	-	-	-	-	72,637	434,953	(507,590)	-
Total revenues	3,438,856	737,906	3,109,101	3,189,634	696,579	445,043	(507,590)	11,109,529
Cost of sales	927,709	422,058	1,123,116	1,781,529	-	-	234,882	4,489,294
Cost of services	-	-	-	-	335,292	-	-	335,292
Excise taxes and royalties	240,720	95,368	248,728	63,792	-	-	-	648,608
Shipping and loading costs	478,861	155,556	479,602	272,180	78,110	-	(65,538)	1,398,771
Marketing	120,360	42,861	85,968	101,392	-	-	(284,952)	65,629
Segment operating earnings	1,671,206	22,063	1,171,687	970,741	283,177	445,043	(391,982)	4,171,935
General and administrative	122,007	50,214	159,638	142,395	12,156	290,437	(152,028)	624,819
Finance income	14,332	2,515	15,683	49,750	12	84,461	-	166,753
Finance expense	5,327	3,450	7,156	6,896	2,267	103,351	(149)	128,298
Provision for (benefit from) income tax	516,384	(8,787)	350,677	318,274	10,443	11,162	(73,938)	1,124,215
Net income (loss) attributable to equity holders of the parent	1,287,706	(23,469)	749,900	951,224	(19,928)	1,717,037	(2,608,796)	2,053,674
Segment assets	2,122,405	966,222	6,715,037	6,306,615	160,588	16,490,479	(4,192,261)	28,569,085
Deferred income tax assets - net	97,366	93,381	58,458	4,709	-	90,529	-	344,443
Total assets	2,219,771	1,059,603	6,773,495	6,311,324	160,588	16,581,008	(4,192,261)	28,913,528
Segment liabilities	430,325	164,036	1,980,953	566,615	169,418	188,533	(284,368)	3,215,512
Deferred income tax liabilities - net	-	-	-	-	-	-	486,228	486,228
Total liabilities	430,325	164,036	1,980,953	566,615	169,418	188,533	201,860	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	433,103	525,658	29,673	66,683	11,290	1,262,651

	September 30, 2013 (Unaudited)							
	Mining				Services and Others			
	HMC	CMC	TMC	RTN	RTN/TMC/LCSLC	Others	Eliminations	Total
External customers	2,616,594	521,709	2,150,312	2,478,963	420,007	9,438	-	8,197,023
Inter-segment revenues	-	-	-	-	66,371	98,621	(164,992)	-
Total revenues	2,616,594	521,709	2,150,312	2,478,963	486,378	108,059	(164,992)	8,197,023
Cost of sales	703,928	320,363	851,211	1,281,469	-	-	125,028	3,281,999
Cost of services	-	-	-	-	243,634	-	-	243,634
Excise taxes and royalties	183,162	69,424	172,025	49,579	-	-	-	474,190
Shipping and loading costs	344,287	119,199	335,775	217,872	66,144	-	(58,728)	1,024,549
Marketing	12,861	19,604	1,153	-	-	-	-	33,618
Segment operating earnings	1,372,356	(6,881)	790,148	930,043	176,600	108,059	(231,292)	3,139,033
General and administrative	79,955	49,550	101,942	76,459	9,586	184,388	(82,732)	419,148
Finance income	10,021	2,011	12,284	37,415	9	66,597		128,337
Finance expense	1,064	562	567	5,289	1,489	76,367		85,338
Provision for (benefit from) income tax	386,909	(855)	233,961	264,921	10,675	(40,256)	(40,129)	815,226
Net income (loss) attributable to equity holders of the parent	1,110,700	6,806	499,895	900,884	(13,237)	670,422	(1,435,706)	1,739,764
Segment assets	3,067,935	1,054,172	6,654,698	6,231,857	159,999	15,327,820	(4,044,935)	28,451,546
Deferred income tax assets - net	122,113	82,347	31,584	-	-	134,335	14,688	385,067
Total assets	3,190,048	1,136,519	6,686,282	6,231,857	159,999	15,462,155	(4,030,247)	28,836,613
Segment liabilities	574,975	209,352	2,066,661	482,030	162,138	111,968	(193,954)	3,413,170
Deferred income tax liabilities - net	3,755	-	-	15,550	-	-	512,405	531,710
Total liabilities	578,730	209,352	2,066,661	497,580	162,138	111,968	318,451	3,944,880
Capital expenditures	312,247	104,586	890,784	65,660	26,983	37,127	-	1,437,387
Depreciation, amortization and depletion	82,764	56,176	310,921	400,766	22,700	49,338	8,467	931,132

The Group has revenues from external customers as follows:

	For the nine-month period ended September 30	
	2014	2013
Country of Domicile	(Unaudited)	
China	**₱13,670,992**	₱5,393,507
Japan	**4,311,362**	1,264,504
Australia	**199,540**	–
Local	**2,964,138**	1,539,012
	₱21,146,032	₱8,197,023

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

Revenue arising from sale of ores from two key customers amounted to ₱10,181.7 million and ₱3,789.8 million for the nine months ended September 30, 2014 and 2013, respectively.

The Group has non-current assets consisting of property and equipment and investment property located in the Parent Company's country of domicile amounting to ₱6,818.8 million and ₱6,614.8 million as at September 30, 2014 and December 31, 2013, respectively.

31. **Reclassification**

Certain 2013 expense items were reclassified to conform to the presentation of the 2014 financial statements.