COVER SHEET

CS200811530
SEC Registration Number

NICKEL ASIA CORPORATION
(Company's Full Name)

6th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City
(Business Address: No. Street City/Town/Province)

Emmanuel L. Samson
(Contact Person)

(632) 892-6669
(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

17-A
(Form Type)

0 6	1st Friday
Month	*Day*

(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

41
Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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S.E.C. Number CS200811530
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

6th Floor, NAC Centre, 143 Dela Rosa Street,
Legaspi Village, Makati City
(Company's Address)

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

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

SEC FORM 17-A Annual Report
Form Type

____
Amendment Delegation (If applicable)

December 31, 2012
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

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

1. For the fiscal year ended: **DECEMBER 31, 2012**
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
   6th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City **1229**
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.
   Not Applicable
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	**2,013,476,263 Shares**
Long-term Debt	**PhP 1,539.3 Million**

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

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

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

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

    As of December 31, 2012, 445,885,431 shares with a market price of ₱16.10 or an aggregate amount of ₱7,178,755,439 were held by non-affiliates.

NICKEL ASIA CORP.

April 15, 2013

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

Attn: JANET A. ENCARNACION
Head – Disclosure Department

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

Dear Madam:

We submit to you herewith a copy of our Company's SEC Form 17-A Annual Report for the year ended December 31, 2012.

We trust everything is in order.

Very truly yours,

Emmanuel L. Samson
SVP – Chief Financial Officer

6th Floor NAC Building, 143 Dela Rosa cor., Adelantado Sts., Legaspi Village, Makati City
Tel. No. +632 892-6669 I +632 892-4177 I Fax No. +632 892-5344

NICKEL ASIA CORPORATION
17-A ANNUAL REPORT 2012

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Corporate Profile

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

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

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

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

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

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

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 70 million tonnes of ore up to 2011. At each of our mines at our Rio Tuba, Taganito, Cagdianao and Taganaan sites, we are able to employ a low-cost open pit mining method, without the need for explosives, chemicals or complex waste handling, to extract two types of nickel ore: limonite ore, which occurs at the upper layer of the deposit and generally consists of lower nickel and higher iron content; and saprolite ore, which is generally found beneath the limonite layer and typically consists of higher nickel and lower iron content. Since we began commercial operations in 1977 through 2011, we have delivered over 70 million WMT of saprolite ore and limonite ore to our customers. As of December 31, 2012, our mines had proved and probable saprolite ore reserves of 119.1 million WMT with an average grade of 1.50% nickel, and proved and probable limonite ore reserves (including stockpiles) of 249.0 million WMT with an average grade of 1.11% nickel, in each case as estimated in accordance with the Philippine Mineral Reporting Code (PMRC).

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

We sell our nickel ore to the following customers:

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

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

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

- *Coral Bay Nickel Corporation ("CBNC").* We sell low-grade limonite ore from our Rio Tuba mine to the adjacent Coral Bay HPAL facility under a long-term supply agreement. The facility is owned by CBNC, which is a subsidiary of Sumitomo Metal Mining Co. Ltd. ("SMM"), a Japan-based refiner of copper, gold, nickel, and zinc. We have a 6% effective equity interest in CBNC.

Prior to 2005, the Company focused primarily on sales of high-grade saprolite ore and stockpiled much of the limonite ore that we removed as overburden to access the saprolite ore. However, since the commencement of NPI production in China and the completion of the Coral Bay HPAL facility in 2005, we have developed a second major revenue stream through our sales of limonite ore to Chinese customers and to CBNC. In June 2009, the Coral Bay HPAL facility's design capacity was doubled to 20,000 tonnes of contained nickel per year, further increasing our limonite ore sales to CBNC.

To further expand the Company's sales of limonite ore and increase our exposure to downstream nickel processing, we have partnered with SMM and Mitsui and have commenced construction of a new HPAL facility adjacent to our Taganito mine.

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

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

	Japan			China			Philippines (CBNC)			Total		
Year	Saprolite	Limonite	Total	Saprolite	Limonite	Total	Saprolite	Limonite	Total	Saprolite	Limonite	Total
2012	22%	-	22%	26%	40%	66%	-	12%	12%	48%	52%	100%
2011	20%	-	20%	44%	20%	64%	-	16%	16%	64%	36%	100%
2010	34%	-	34%	30%	16%	46%	-	20%	20%	64%	36%	100%

<u>Competition</u>

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

<u>Geographic area in which we compete</u>

Primary nickel supply in 2012 is estimated at around 1,800 Thousand ton, which is 13% increase on y-o-y basis. We estimate 60% of refined nickel comes from Oxidized nickel ore and 40% from Sulfide nickel ore.

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

Nickel Ore Trade

Nickel ore in the country is mainly exported to China and Japan. Ni consumption in China is estimated at 800 thousand tonnes in 2012, which account for 46% of global nickel consumption and Japan accounts for 8%, accordingly.

Chinese Ni production in 2012 is estimated at 530 thousand tonnes in Ni contain basis, of which 330 thousand tonnes comes from Nickel Pig Iron (NPI), which is a 20% increase year-on-year. Accordingly, Chinese Ni ore importation jumped from 48 million wet metric tonnes in 2011 to 64 million wet metric tonnes in 2012 as per Chinese custom data.

The Philippines accounts for 47% of nickel ore imports into China and the balance mainly from Indonesia.

The growth of NPI is a key driver for our Ni ore supply, however, carbon steel mills in China is utilizing laterite nickel ore which contains below 1% Ni and 48-50% Fe as iron ore substitute. It is difficult to estimate the amount of nickel ore consumption in carbon steel mills in China, however, we believe at least 12 to 15 million wet metric tonnes of laterite ore was used as iron ore substitute.

Outlook For Nickel

Estimated global nickel supply in 2012 was at 1.8 million tonnes while consumption was at 1.75 million tonnes, resulting to 50 thousand tonnes of oversupply. The global Ni consumption increased by 5.1% year-on-year basis due to the contribution of growth in China.

Around 60% of nickel supply is consumed by stainless steel. Therefore, the growth in stainless steel production is a key factor to the outlook for nickel. Global Stainless steel production in 2012 is estimated at 35.7 million ton, which is a 5.4% increase on a year-on-year basis. Despite a sluggish global economy in 2012, growth was largely driven by China. Stainless steel production in China was recorded at 14.5 million tonnes in 2011 and 16.0 million tonnes in 2012.

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

Price

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

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

In 2010 and 2011, as market fundamentals have started to improve, sentiment has become gradually more upbeat and funds and speculators have once again entered the market looking to buy nickel on the back of a more optimistic outlook for the metal. The involvement of investors in the market can cause additional volatility, as they often buy up large volumes of inventory when prices are expected to rise. The combination of these factors drove the LME cash price higher and, as a result, ending 2010 and 2011 at a price of $11.32/pound ($24,950/tonne) and $8.29/pound ($18,277.50/tonne), respectively.

By the second quarter of 2012, an oversupply of nickel ensued, due mainly to the additional supply coming from new nickel projects and the rapid growth in Chinese NPI production volume. As a result, the LME cash price in 2012 fell to $7.95/pound ($17,527/tonne).

Key Strengths of the Company

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

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

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

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

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

Sources and Availability of Raw Materials and Supplies

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

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

Related Party Transactions

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

Nickel Ore Supply Agreements with PAMCO—We are party to nickel ore supply agreements with PAMCO. PAMCO has a 0.17% ownership interest in the Company and also owns 36% of our subsidiary, RTN, and 33.5% of our subsidiary, TMC.

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

Nickel Ore Supply Agreement with SMM –We are a party to nickel ore supply agreements with SMM. SMM has a 25.31% ownership interest in the Company.

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

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

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

CBNC Stockholder Agreement—On July 1, 2002, RTN, along with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC's loans obligation in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC. RTN owns 10% of CBNC's outstanding capital stock.

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. The guarantee fee is recorded as part of "General and administrative expenses" in our consolidated statement of income.

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

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

In a separate agreement dated December 9, 2011, SMM, which also owns 62.5% of THNC, agreed to assume THNC's obligation to make loans to, or guarantee the repayment of, THNC's loans obligations. NAC, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of THNC's outstanding loans obligation. The guarantee fee is recorded as part of "General and administrative expenses" in our consolidated statement of income.

<u>Royalties</u>

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

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

- *Claim owner royalties*. We operate the Cagdianao mine under an operating agreement with East Coast, the claim owner. Under the agreement, we have the right to operate the mine, subject to the payment of a royalty to the claim owner, which is 8.75% of gross revenue.

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

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

RTN's application for MPSA denominated as AMA IVB-144A and AMA IVB-144B for its Bulanjao project is pending approval before the Department of Environment and Natural Resources (DENR)-Mines and Geosciences Bureau (MGB); the only thing necessary before RTN receives the MPSA over the property is a final endorsement from the PCSD. RTN's application for a tree-cutting permit for its Gotok limestone quarry before the DENR-Forest Management Bureau is likewise currently being assessed and is still awaiting approval.

A Deed of Assignment was executed by HMC for the transfer of MPSA 012-92-VIII to SMNRC which was submitted to the MGB VIII Regional Office on September 2010 and was endorsed by the same to the MGB Central Office for further evaluation and final approval.

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

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

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

Mine	Location	Ownership	MPSA/Operating Agreement
Boa	Province of Dinagat Islands	CMC	Memorandum of Agreement that covers 226.0235 hectares and expires in October 12, 2014

Description of our Exploration Projects

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

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

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

Manicani—The Manicani property is held by our subsidiary HMC. It has a total area of 1,165 hectares and is situated in Eastern Samar. Our rights to the property are governed by an MPSA that was entered into by HMC in 1992 and which was subsequently assigned to Samar Nickel Mining Resources Corp. ("SMNRC"). The application for the Deed of Assignment from HMC to SMNRC was submitted to the MGB VIII Regional Office on September 2010 and will be endorsed by the same to the MGB Central Office for further evaluation and final approval.

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

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

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

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

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

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

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

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

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

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

Under the terms of the operating agreement, TMC will have the right to explore, develop and operate the property once the MPSA is approved, in return for the payment of a royalty of 5% on gross revenues of all metallic minerals sold from the property and P10.00 per metric ton of limestone extracted and sold from the property.

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

Boa—The Boa area is covered by a separate MPSA and is contiguous to the Valencia mining tenement. 167 drill holes were intended to be drilled by the third quarter of 2012, but due to the delayed issuance of the tenement's permit for extension of exploration period, there were still no exploration activities done in the area. The permit for extension is expected to be granted by the first quarter of the year 2013. Other exploration activities in the form of geologic mapping to find chromite in commercial quantities will also be expected to be carried out by then.

Gold and Copper Resources

The Philippines is located within the "Pacific Rim of Fire," the circum-Pacific belt of intense seismic and volcanic activity that hosts the bulk of the world's gold and copper resources. The Philippines is highly endowed with these metals. Substantial quantities have been mined in the country since the pre-war era, and numerous world-class deposits have been discovered. We believe that considerable exploration potential exists in areas that have not been explored or subjected to modern exploration techniques.

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

In May 2011, we entered into a "Participation and Shareholders' Agreement" with Sumitomo Metal Mining (SMM) outlining the terms of SMM's equity participation in CEXCI. In November 2011, based on the terms of the said Agreement, SMM invested $1.8 million in CEXCI in return for a 25% equity. SMM has the option to invest $2.8 million for an additional 15% equity, which would bring its total equity in CEXCI to 40%.

Manmanok - The Manmanok property is located within the Municipality of Conner, province of Apayao. It is the most advanced of the properties in terms of exploration work. The Exploration Permit (EP-004-2006-CAR) was granted on October 6, 2006, covering a total area of 7,802 hectares, and the "first renewal" was subsequently applied for and consequently approved on March 4, 2009. The "second renewal" of the exploration permit was applied for in April, 2011, but conditional to the approval of the second renewal, CExCI was required to relinquish some 40% of the ground. . The second renewal for the exploration application covering 4,996 hectares was finally granted in November 2011.

2012 saw the implementation of the Stage I Exploration Program over the Manmanok Project. The program consisted basically of 3 objectives, namely: a) identify surface continuities and extensions of the main prospect areas through detailed geological and geochemical work; b) identify anomalous areas occurring outside and surrounding the main prospect areas; and c) drill the anomalies defined by mapping, geochemical sampling and induced polarization surveys within one of the main prospect areas known as the Central Argillic Zone to test presence and persistence and /or continuity of these anomalies at depth.

Detailed geological mapping and geochemical bedrock sampling was done over the Central and Northwest Argillic Zones from March to June, while detailed surface work over the Southeast Argillic Zone was done from November to December. Mapping was mainly done along trails and creeks, and to a lesser extent some trenches which have been rehabilitated / dug across selected portions. Another specific mapping technique that was utilized to carry out semi-detailed to detailed geological work was to map along profile lines. A total of thirty three (33) 1,100-meter long profile lines running west to east at 100-meter intervals beginning from 1954000mN to 1957300mN were mapped. Also, a total of six (6)1,400-meter long profile lines running north to south at 100-meter intervals beginning from 317500mS to 318,000mS were also mapped. Reconnaissance geological surveying was conducted over the "South Outer Prospect" and the "North Outer Prospect" in the second half of 2012. . A total approximate area of 935 hectares were covered by reconnaissance mapping . Great care was exercised during the mapping exercises to avoid damaging vegetation.

During the data evaluation in 2011, drill targets of coincident relatively high chargeability and high resistivity from the induced polarization surveys, and further coinciding with geochemical soil and bedrock anomalies have been identified. A total of nine (9) inclined holes, totaling 2,790 meters, were originally planned to be drilled within the Central Argillic Zone. During the course of the drilling, which started in July, 2012, two (2) additional holes of 200 meters each were recommended to be drilled. A few more revisions on the drilling program were put forward in November, such that by the end of December, 2012 the drill program stands as follows:

Hole No.	Target Zone	Total Meters Planned	Total Meters Accomplished
MNDH01	Central	300	300.60
MNDH02	Central	300	313.80
MNDH03	Central	300	230.80
MNDH04	Central	360	271.10
MNDH05	Central	370	75.60
MNDH06	Central	260	257.50
MNDH07	Southeast	300	FY 2013
MNDH08	Southeast	300	FY 2013
PDDH09	Southeast	300	FY 2013
Total		**2970**	**1449.40**

The completed meters drilled for 2012 represents about 52% of the entire program. Also, all of these meterage have been conducted over the "Central Argillic Zone". It was decided that the remaining 1340.60 meters be drilled over the adjacent "Southeast Argillic Zone", and if any meterage left will be drilled over the "Northwest Argillic Zone".

Kutop - The Kutop Prospect (EXPA-014) lies within the boundaries of the Municipalities of Malibcong, Daguioman, and Baay-Licuan in the Province of Abra, and within the boundaries of the Municipality of Balbalan in the Province of Kalinga. The total area covered by the application is 13,269 hectares. The application is currently set to begin the FPIC process with the NCIP.

Previous work by other companies indicate the source of the large Au anomaly outline as a zone of quartz-calcite veining and stratiform replacement hosted by extensive clay-pyrite altered sedimentary rocks. This alteration zone has been traced on the ground for a distance of 500 meters and a vertical extent of about 250 meters. Continuity along strike has not been determined, however. Within this zone, numerous EW trending, steeply dipping epithermal quartz veins and veinlets, and minor shallow dipping, bedding-parallel veins and silica-clay replacements have also been observed.

Based on the source of the large Au anomaly outline, it is believed that the prospect area has a strong potential for a bulk tonnage, low-sulphidation epithermal Au deposit and/or sediment hosted Au deposit. Anomalies of copper, lead, zinc, silver, arsenic, molybdenum, and antimony from geochemical stream sediment sampling results further suggests possible porphyry copper mineralization particularly on the southern portion of the claimed area.

Mankayan - Three types of mineralization could be found in the general Mankayan Mineral District. These are: a) the gold-rich porphyry copper mineralization, with the FSE and Guinaoang deposits as examples; b) the high-sulphidation copper + gold mineralization, as typified by the Lepanto Enargite ore body; and c) the intermediate-sulphidation gold + base metals mineralization, examples of which are the Victoria and Suyoc ore bodies and the Nayak-Palidan prospect. These mineralization types are localized by different conjugate structural patterns that have dissected parts of the district. Occurrences of two of the mineralization types, particularly the gold-rich porphyry copper mineralization and the high-sulphidation copper + gold mineralization, are generally controlled by northwesterly trending structures. The EW trending structures, as well as the NS trending ones appear to have localized and controlled intermediate-sulphidation mineralization in the district.

The Mankayan Properties of CEXCI are located within 2 regions (CAR and Region I), and covered by two applications, namely Exploration Permit Application EXPA-043 (1,872 hectares) and Financial and Technical Assistance Agreement Application AFTA-008 (77,549 hectares) for a total land area of 79,421 hectares. In April 6, 2011, EXPA-043 was denied by MGB-CAR. By January 30, 2013, AFTA-008 had been granted a Consolidated Area Status and Clearance of 63,184.01 hectares within Region-I and Cordillera Administrative Region. From 79,421 hectares, the Mankayan Property has now been reduced to 63,184.01 hectares after clearances and compliance with the requirements of permit application. AFTA-008 has completed postings in local publications and radio announcements in CAR while preparations are currently being undertaken for postings and publications in Region-I.

Approximately, CExCI spent the following in their exploration properties:

	Amount (in millions)	**%age to Revenues**
2012	Php84.7	0.0072%
2011	21.3	0.0016%
2010	7.1	0.0008%

Environment and Rehabilitation

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

The Philippine Mining Act requires us to contribute 3%—5% of our direct mining and milling costs for the implementation of the annual environmental protection and enhancement program. Activities undertaken under our annual environmental protection and enhancement program include among others: rehabilitation of mine disturbed areas, reforestation, construction and/or maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring and water quality monitoring. In 2012, we spent approximately ₱431.1 million on our environmental protection and enhancement program. We believe that our cost of compliance with environmental laws is not material.

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

Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. We have ₱134.3 million maintained in such funds as of December 31, 2012. This amount complies with the minimum requirement under the law.

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

We periodically book an accretion expense and corresponding provision for mine rehabilitation and decommissioning. The basis for this expense/liability is our draft Mine Rehabilitation and Decommissioning Plan. As of December 31, 2012, we had a ₱132.5 million provision for mine rehabilitation and decommissioning. Upon approval of our Mine Rehabilitation and Decommissioning Plan by the MGB, we intend to review and, if necessary, adjust our provision for mine rehabilitation and decommissioning. We will concurrently be required to deposit funds equal to the provision in a Government bank.

Social

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

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

Employees

As at December 31, 2012, we had approximately 1,453 employees. Of these, approximately 1,344 are employed in mining operations, including overburden removal. Approximately, 201 are engaged in various maintenance and ancillary functions and 1,143 are in administrative, technical and professional roles, including our senior management. We do not currently anticipate any significant increase or decrease in the number or allocation of our employees over the next twelve months.

Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	LCSLC	SNMRC	Total
Senior Management	12	1	-	2	1	-	-	-	**16**
Managers	8	1	1	3	1	2	1	-	**17**
Supervisors	8	6	2	1	5	3	2	-	**27**
Rank & File	17	4	3	9	11	3	1	1	**49**
Total	**45**	**12**	**6**	**15**	**18**	**8**	**4**	**1**	**109**

Minesite

	CMC	HMC	TMC	RTN	CEXCI	LCSLC	SNMRC	Total
Senior Management	-	-	1	1	-	-	-	**2**
Managers	7	7	21	25	1	1	-	**62**
Supervisors	34	53	99	105	2	2	7	**302**
Rank & File	133	93	224	504	5	-	19	**978**
Total	**174**	**153**	**345**	**635**	**8**	**3**	**26**	**1,344**

Labor conditions, including wages and benefits, are governed by Collective Bargaining Agreements (CBA) negotiated at the mine level. Rank and file employees at Rio Tuba, Taganito and Cagdianao minesites are represented by labor unions. Collective agreements generally have terms of five years, with a provision for wage renegotiation after three (3) years. The respective CBA's of RTN and CMC were renewed and took effect January 1, 2011 while the CBA of TMC shall be renegotiated for the remaining two (2) years. We believe that our wages and conditions are among the best in the Philippine mining industry. We believe that our relations with employees and their unions are generally good. The last strike at any of our mines occurred in 1981.

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

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

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

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

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

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

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

Changes in Chinese demand may negatively impact world nickel demand and prices— Approximately, 66% of our revenue in 2012 was derived from sales of nickel ore into China. The Chinese market has become a significant source of global demand for commodities. Stainless steel production in China records
14.0 million in 2011 and 16.0 million in 2012, correspondingly nickel consumption records 700 thousand ton in 2011 and 780 thousand ton in 2012.

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

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

A prolonged decrease in production by the Coral Bay HPAL facility or, once operational, the Taganito HPAL facility—Approximately, 12% of our revenue in 2012 was derived from sales of limonite ore to the Coral Bay HPAL facility and we expect to be the sole supplier of limonite ore to the planned Taganito HPAL facility. CBNC, the owner of the Coral Bay HPAL facility, is only required to pay for limonite ore that is actually delivered to the plant and there are no minimum take-or-pay provisions in the ore supply agreement governing our sales of ore to the facility. The ore supply agreement with the planned Taganito HPAL facility will be subject to similar terms. In the event that the Coral Bay HPAL facility or, once operational, the Taganito HPAL facility, decreases production or experiences an unexpected prolonged shutdown, we would reduce the volume of limonite ore that we deliver to the applicable facility or cease such deliveries altogether.

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

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

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

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

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

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

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

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

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

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

Item 2. Properties

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

<u>*Mining Properties and Permits*</u>

RIO TUBA NICKEL MINING CORPORATION

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

The primary purpose of the MPSA is to provide for the sustainable development and commercial utilization of nickel, cobalt, chromite and other mineral deposits within the contract area, with all necessary services, technology and financing to be furnished or arranged for by RTN under the terms of such agreement. However, the MPSA does not grant RTN any title over the contract/mining area, without prejudice to RTN's acquisition of land/surface rights under allowable modes of acquisition under the law. RTN is to undertake and execute, for and on behalf of the Government the sustainable mining operations and is constituted as the exclusive entity to conduct mining operations in the contract area. The share of the Government is the excise tax on mineral products at the time of removal at the rate provided for in

R.A. 7729, amending Section 151(a) of the NIRC, as amended, as well as other taxes, duties and fees levied by existing laws. Currently, the excise tax is 2% of the actual market value of the gross output at the time of removal.

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

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

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

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

B. Bulanjao exploration

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

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

HINATUAN MINING CORPORATION

A. South Dinagat

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

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

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

B. Taganaan mine

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

C. Manicani mine

MPSA No. 012-92-VIII—The Manicani mine is subject to an MPSA (No. 012-92-VIII) granted on August 13, 1992 for 1,165 hectares. It has a term of twenty five (25) years and is renewable for another term not exceeding twenty five (25) years subject to mutually agreed upon terms and conditions. This MPSA was assigned to SMNRC which was submitted to the MGB VIII Regional Office on September 21 and will be endorsed by the same to the MGB Central Office for further evaluation and final approval.

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

TAGANITO MINING CORPORATION

A. Taganito Mine

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

B. Kepha Exploration

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

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

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

C. Ludgoron Exploration

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

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

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

D. La Salle Exploration

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

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

CAGDIANAO MINING CORPORATION

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

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

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

A 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.

Mineral Resources and Reserves
As of December 31, 2012, the Company's Total Mineral Resources and Ore Reserves in accordance with PMRC are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
*Ore Reserves**						
Saprolite	Proved and Probable	119,058	80,557	1.50	11.69	1,208
Limonite	Proved and Probable	248,969	168,238	1.11	42.51	1,863
*Mineral Resources***						
Saprolite	Measured & Indicated	126,212	84,050	1.61	11.17	1,356
Limonite	Measured & Indicated	264,912	178,870	1.10	43.18	1,975
Saprolite	Inferred	30,816	19,724	1.45	12.01	286
Limonite	Inferred	13,149	8,986	1.10	39.79	98

** This ore reserves estimate was prepared by Engr. Jose S. Saret. (BSEM), Senior Vice President and Chief Operating Officer of Nickel Asia Corporation. Engr. Saret is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has sufficient experience as to the type of deposit and mineralization. He is a licensed mining engineer with PRC registration number 887. He has given his consent to the attachment of this statement to the 17-A 2012 Annual Report concerning Ore Reserve Estimation.*
*** This mineral resources estimate was prepared by Mr. Radegundo S. De Luna, Consultant of Nickel Asia Corporation. Mr. De Luna is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has sufficient experience as to the type of deposit and mineralization. He is a licensed geologist with License number 218. He has given his consent to the attachment of this statement to the 17-A 2012 Annual Report concerning Mineral Resources Estimation.*

Processing Facilities

CBNC

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

Our subsidiary, RTN, holds a 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant. A consortium of Japanese companies led by SMM holds the remaining 90% equity interest. The plant was constructed adjacent to the Rio Tuba mine in an area designated as a Special Economic Zone by the Philippine Export Zone Authority. As such, CBNC enjoys tax incentives, including a tax holiday until March 2013. All of the limonite ore required for the plant is supplied by RTN from its extensive stockpile and from newly mined ore. RTN also supplies limestone and undertakes certain materials handling and transportation services. The plant produces a nickel sulphide precipitate containing approximately 57% nickel and 4% cobalt, which is sold exclusively to SMM for refining at its Niihama refinery. The facility uses proprietary SMM technology under a non-exclusive license.

Taganito HPAL Nickel

Facility	Taganito HPAL nickel processing plant
Location	In a Special Economic Zone adjacent to the Taganito mine
Ownership.....................	NAC (22.5%) SMM (62.5%) Mitsui (15)%
Operations..................	Scheduled to commence commercial operations at full capacity in August 2013 and expected to produce approximately 30,000 tonnes of contained nickel in 2014, the first full year of commercial operations at full capacity
Technology	HPAL process
Investment cost/financing	US$1,420 million, to be majority debt-financed, with remaining balance to be equity-financed based on ownership
Source of ore	Taganito Mine
Product	Nickel-cobalt sulphide to be sold exclusively to SMM

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

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

Construction work on the Taganito HPAL project is on track and is expected to be completed in the second quarter of 2013. The commissioning of the facility is scheduled to take place thereafter over an estimated six-month period, during which the facility is expected to commence operations at production rates below its full capacity. Commercial operations are scheduled to commence in the latter part of 2013. The facility is expected to produce approximately 30,000 tonnes of contained nickel in 2014, the first full year of commercial operations at full capacity.

The estimated total cost is US$1.7 billion, which includes capital expenditures of US$1.6 billion for the plant, working capital and US$100.0 million of interest accrued during the construction phase. In addition to our ₱4.6 billion equity contribution which we made last November 2010, we have committed to contribute up to an additional ₱47.9 million in the event that Taganito HPAL Nickel requires additional funds prior to completion of construction of the HPAL facility. An estimated of US$1.1 billion of the project costs will be financed with debt financing that will be incurred by Taganito HPAL Nickel. Under the terms of the Stockholders Agreement, we will be required to guarantee a portion of such debt financing equal to our 22.5% equity interest in Taganito HPAL Nickel. On September 15, 2010, we entered into an agreement with SMM whereby SMM will guarantee our pro-rata portion of Taganito HPAL Nickel's loan obligation in exchange for the payment of an annual guarantee fee to SMM of 1% of our pro-rata share of the outstanding loan obligation.

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

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

Item 3. Legal Proceedings

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

NCIP Case
There is an ongoing case involving TMC whereby the complainants filed a case with the National Commission on Indigenous Peoples ("NCIP") seeking to invalidate the Memorandum of Agreement ("MOA") between TMC and the AMPANTRIMTU, the organization representing the Mamanwa tribe, which has a Certificate of Ancestral Domain Title over the mining area of TMC.

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

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

Butuan Case involving Mamanwa Royalties
This is an Action which essentially prays for a complete and detailed accounting by TMC of the royalty fees from year 2006 to 2009 due to the indigenous peoples and for the deposit of alleged shortages in payment, the delivery of whatever amounts are due to the Caraga Indigenous Peoples Management & Development Corp. (CIPMAD), among others, which was filed by CIPMAD and Sergio Pascual.

The Complaint claims that the Memorandum of Agreement (MOA) between TMC and the other defendant-tribal chieftains is invalid for lack of proper consultation with the majority of the ICCs/IPs. TMC denied the allegations saying that the MOA is valid and was perfected after complying with the requirements of law as attested to by the NCIP and in fact it became the basis for the issuance of the Free and Prior Informed Consent (FPIC) in favor of TMC on the basis of which financial benefits were granted to the ICCs/IPs. TMC also argues that the complainants have no cause of action against it for the reimbursements as TMC never dealt with them but rather transacted directly with the representatives of the tribal communities by virtue of the valid MOA.

In 2012, the Regional Trial Court of Butuan City issued an Order dismissing the case as against TMC. The case as to the other defendants is currently still pending before the Court.

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

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

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters covered under this item submitted in 2012 to the security holders for a vote.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information
The Company's common equity is traded in the Philippine Stock Exchange at a price of ₱15.00 per share (or ₱10.00 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	₱11.21	₱10.16
2011		
1st Quarter	₱15.23	₱11.53
2nd Quarter	₱15.70	₱12.53
3rd Quarter	₱14.33	₱11.00
4th Quarter	₱13.97	₱11.20
2012		
1st Quarter	₱22.97	₱14.00
2nd Quarter	₱23.67	₱18.17
3rd Quarter	₱20.30	₱16.60
4th Quarter	₱17.50	₱15.78
2013		
1st Quarter	₱25.50	₱16.32

The Company's stocks share price was at ₱27.95 per share as of April 12, 2013.

Holders
The Company has 41 shareholders as of the end of 2012, with 2,013,476,263 common shares issued and outstanding. The top 20 stockholders of the Company as of December 31, 2012 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	1,186,717,552	58.94%
Sumitomo Metal Mining Philippine Holdings Corporation	Japanese	385,242,114	19.13%
Luis J. L. Virata	Filipino	264,572,338	13.14%
PCD Nominee Corporation (Non-Filipino)	Foreign	169,698,544	8.43%
Pacific Metals Co., Ltd.	Japanese	3,363,337	0.17%
Gerard H. Brimo	Filipino	2,782,500	0.14%
Alice P. Lacson	Filipino	300,000	0.01%
Eva Policar-Bautista	Filipino	97,500	0.00%
Magdangal B. Elma	Filipino	97,500	0.00%
Luismil de Villa Gala &/or Sylvia Reynoso Gala	Filipino	86,700	0.00%
Philip T. Ang	Filipino	78,387	0.00%
Cristina C. Pertierra ITF Michael C. Pertierra	Filipino	75,000	0.00%
William T. Enrile&/or Nelly R. Enrile&/or William R. Enrile II	Filipino	75,000	0.00%
Manuel B. Zamora, Jr.	Filipino	67,884	0.00%
Jose B. Anievas	Filipino	56,666	0.00%
Cristina S. Ison	Filipino	42,750	0.00%
Alvin S. Ison	Filipino	42,750	0.00%

Regina Captial Dev. Corp.	Filipino	15,000	0.00%
Sylvia F. Lacson	Filipino	15,000	0.00%
Roberto N. Uy &/or Ivonne T. Uy	Filipino	14,550	0.00%

Dividends

On March 28, 2012, the Company's BOD 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 the same date, the Company's BOD declared stock dividends, which were approved by the Company's stockholders on June 8, 2012, corresponding to 671.2 million common shares at the issue price equivalent to the par value of ₱0.50 per share.

On October 25, 2011, the 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 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.

On August 13, 2010, the Company's BOD declared cash dividends amounting to US$70.0 million, equivalent to ₱3,076.5 million or ₱3.16 per share to stockholders of record at August 31, 2010. The dividends were paid on November 25, 2010.

Recent Sales of Unregistered or Exempt Securities.

No unregistered securities were sold in 2012.

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

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, prepared in conformity with PFRS and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with those audited consolidated financial statements.

Summary Financial Information

The Consolidated Financial Statements as at December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 are hereto attached.

The following table sets forth the summary financial information for the three years ended December 31, 2012, 2011 and 2010 and as at December 31, 2012 and 2011:

Summary Consolidated Statements of Income

	For the Years Ended Dec 31			Horizontal Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2012	2011	2010	2012 vs. 2011	%	2011 vs. 2010	%
	(In thousand pesos)						
Revenues	11,606,907	12,694,706	8,336,038	(1,087,799)	-9%	4,358,668	52%
Cost and expenses	(7,546,684)	(6,261,498)	(5,060,454)	1,285,186	21%	1,201,044	24%
Finance income	235,040	208,436	130,768	26,604	13%	77,668	59%
Finance expense	(20,839)	(39,979)	(81,240)	(19,140)	-48%	(41,261)	-51%
Equity in net losses of an associate	(114,639)	(196,185)	(6,412)	(81,546)	-42%	189,773	2960%
Other income (charges) - net	328,940	745,200	7	(416,260)	-56%	745,193	INF
Provision for income tax - net	(1,344,816)	(1,685,123)	(946,779)	(340,307)	-20%	738,344	78%
Net income	3,143,909	5,465,557	2,371,928	(2,321,648)	-42%	3,093,629	130%
Net income attributable to:							
Equity holders of the parent	2,221,316	3,536,474	1,546,889	(1,315,158)	-37%	1,989,585	129%
Non-controlling interests	922,593	1,929,083	825,039	(1,006,490)	-52%	1,104,044	134%
	3,143,909	5,465,557	2,371,928	(2,321,648)	-42%	3,093,629	130%

Summary Consolidated Statements of Income

	For the Years Ended Dec 31			Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
	2012	2011	2010	2012 vs. 2011	%	2011 vs. 2010	%
	(In thousand pesos)						
Revenues	11,606,907	12,694,706	8,336,038	(1,087,799)	45%	4,358,668	133%
Cost and expenses	(7,546,684)	(6,261,498)	(5,060,454)	1,285,186	-53%	1,201,044	37%
Finance income	235,040	208,436	130,768	26,604	-1%	77,668	2%
Finance expense	(20,839)	(39,979)	(81,240)	(19,140)	1%	(41,261)	-1%
Equity in net losses of an associate	(114,639)	(196,185)	(6,412)	(81,546)	3%	189,773	6%
Other income (charges) - net	355,468	745,200	7	(416,260)	17%	745,193	23%
Provision for income tax - net	(1,344,816)	(1,685,123)	(946,779)	(340,307)	14%	738,344	22%
Net income	3,170,437	5,465,557	2,371,928	(2,403,194)	100%	3,283,402	100%
Net income attributable to:							
Equity holders of the parent	2,221,316	3,536,474	1,546,889	(1,315,158)	57%	1,989,585	64%
Non-controlling interests	922,593	1,929,083	825,039	(1,006,490)	43%	1,104,044	36%
	3,143,909	5,465,557	2,371,928	(2,321,648)	100%	3,093,629	100%

Summary Consolidated Statements of Financial Position

	2012	2011	2010	Horizontal Analysis Increase (Decrease) 2012 vs. 2011	%	Increase (Decrease) 2011 vs. 2010	%
	(In Thousand Pesos)						
Current assets	13,442,423	14,269,400	9,858,623	(826,977)	-6%	4,410,777	45%
Noncurrent assets	13,706,804	12,117,013	11,744,525	1,589,791	13%	372,488	3%
Total assets	27,149,227	26,386,413	21,603,148	762,814	3%	4,783,265	22%
Current liabilities	1,275,729	1,637,815	1,335,731	(362,086)	-22%	302,084	23%
Noncurrent liabilities	2,272,673	2,455,789	2,123,849	(183,116)	-7%	331,940	16%
Non-controlling interests	4,712,116	4,381,233	3,141,889	330,883	8%	1,239,344	39%
Equity attributable to equity holders of the Parent	18,888,709	17,911,576	15,001,679	977,133	5%	2,909,897	19%
Total liabilities and equity	27,149,227	26,386,413	21,603,148	762,814	3%	4,783,265	22%

Summary Consolidated Statements of Financial Position

	2012	2011	2010	Vertical Analysis Increase (Decrease) 2012 vs. 2011	%	Increase (Decrease) 2011 vs. 2010	%
	(In Thousand Pesos)						
Current assets	13,442,423	14,269,400	9,858,623	(826,977)	-108%	4,410,777	92%
Noncurrent assets	13,706,804	12,117,013	11,744,525	1,589,791	208%	372,488	8%
Total assets	27,149,227	26,386,413	21,603,148	762,814	100%	4,783,265	100%
Current liabilities	1,275,729	1,637,815	1,335,731	(362,086)	-47%	302,084	6%
Noncurrent liabilities	2,272,673	2,455,789	2,123,849	(183,116)	-24%	331,940	7%
Non-controlling interests	4,712,116	4,381,233	3,141,889	330,883	43%	1,239,344	26%
Equity attributable to	-	-	-				
equity holders of the Parent	18,888,709	17,911,576	15,001,679	977,133	128%	2,909,897	61%
Total liabilities and equity	27,149,227	26,386,413	21,603,148	762,814	100%	4,783,265	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31 2012	2011	2010
	(In Thousand Pesos)		
Net cash flows (used in):			
Operating activities	4,239,762	5,968,894	3,597,960
Investing activities	(3,509,603)	(1,294,194)	(6,024,799)
Financing activities	(1,763,266)	(1,138,434)	2,514,280
Net increase (decrease) in cash and cash equivalents	(1,033,107)	3,536,266	87,441
Cash and cash equivalents, beginning	10,350,592	6,805,968	6,779,215
Effect of exchange rate changes in cash and cash equivalents	(54,034)	8,358	(60,688)
Cash and cash equivalents, end	9,263,451	10,350,592	6,805,968

Results of Operations

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 wet metric tonnes ("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, 4,142.0 thousand WMT of limonite ore to our Chinese customers and 3,351.6 thousand WMT of limonite ore to Coral Bay Nickel Corporation ("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 strengthening of peso as against US Dollar. Our realized London Metal Exchange ("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 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 Rio Tuba Nickel Mining Corporation ("RTN"), which owns and operates the Rio Tuba mining operations. RTN's revenue from sale of 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 33%. 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 Chinese customers and CBNC increased by 374.7 thousand WMT, or 13%.

We own 65% of Taganito Mining Corporation ("TMC"), which owns and operates the Taganito mining operations. TMC's revenue from sale of ore was ₱3,093.9 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 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 Cagdianao Mining Corporation ("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 40.0 thousand WMT or 12%. CMC also sold 795.3 thousand WMT of limonite ore to Chinese customers in 2012 compared to 703.8 thousand WMT in 2011.

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

Costs and Expenses
Our costs and expenses amounted to ₱7,546.7 million in 2012 as compared to ₱6,261.5 million in 2011, an increase of ₱1,285.2 million, or 21%.

Cost of Sales
Our cost of sales was ₱4,459.0 million in 2012 as compared to ₱3,349.7 million in 2011, an increase of ₱1,109.3 million, or 33%. The increase in cost of sales was due largely 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 ₱334.1 million in 2012 as compared to ₱278.9 million in 2011, an increase of ₱55.2 million, or 20%. Costs of services largely consist of the cost of providing hauling, manpower and other ancillary services by RTN to CBNC and costs of maintaining the pier facility used by Taganito HPAL Corporation ("THPAL"). Items which contributed in the increase in cost of services include depreciation and depletion which increased from ₱108.8 million in 2011 to P148.0 million in 2012, and equipment operating costs from ₱65.0 million to ₱82.9 million.

Shipping and Loading Costs
Shipping and loading costs were ₱1,417.7 million in 2012 as compared to ₱1,289.3 million in 2011, an increase of ₱128.4 million, or 10%. The increase was due to higher contract fees from ₱754.8 million to ₱858.8 million, as a result of the increase in volume shipped in 2012 and additional LCTs 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 ₱264.8 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 sale of ore in 2012.

General and Administrative
General and administrative expenses were ₱628.0 million in 2012 as compared to ₱607.3 million in 2011, an increase of ₱20.7 million, or 3%. The higher expenses in 2012 was attributable mainly to increase in taxes and licenses from ₱32.4 million to ₱66.2 million due to fringe benefit tax incurred on the exercise of employee stock options and guarantee service fee which increased from ₱26.6 million to ₱84.0 million. The guarantee fee is related to the Taganito HPAL project.

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 recognized 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 ₱20.8 million in 2012 as compared to ₱40.0 million in 2011, a decrease of ₱19.2 million, or 48%. The decrease was primarily due to ₱18.3 million loss recognized on disposal of AFS financial assets in 2011.

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 THPAL in 2012.

Other Income (Charges) - net
Our other income in 2012 was ₱328.9 million as compared to ₱745.2 million in 2011. Other income - net was primarily consists of dividend income from Coral Bay Nickel Corporation, 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 claimowners and inventory losses amounting to a total of ₱102.4 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 ₱1,344.8 million in 2012 compared to ₱1,685.1 million in 2011, a decrease of ₱340.3 million, or 20%. 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 ₱80.5 million as compared to ₱65.3 million in 2011, an increase of ₱15.2 million, or 23%, resulting mainly from the derecognition of deferred income tax asset on NOLCO amounting to ₱188.2 million. However, this was partially reduced by the recognized 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 ₱3,143.9 million in 2012 compared to ₱5,465.6 million in 2011. Net of noncontrolling interests, our net income was ₱2,221.3 million in 2012 as compared to ₱3,536.5 million in 2011, a decrease of ₱1,315.2 million, or 37%.

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 the 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 London Metal Exchange ("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 Coral Bay Nickel Corporation ("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 wet metric ton ("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 (NPI) 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%.

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 compared to nil in 2010, while it sold 68.3 thousand WMT of limonite ore to CBNC in 2010 as compared to nil in 2011.

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 decreased by 235.1 thousand WMT or 42%. CMC also sold 703.8 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 last year.

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, manpower and other ancillary services that RTN provides to CBNC. In 2011, additional revenues consisted of a usage fee which TMC began charging THPAL for the use of its newly constructed pier facility, as well as commission income.

Costs and Expenses
Our costs and expenses amounted to ₱6,261.5 million in 2011 as compared to ₱5,060.4 million in 2010, an increase of ₱1,201.1 million, or 24%.

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 ₱278.9 million in 2011 as compared to ₱144.0 million in 2010, an increase of ₱134.9 million, or 94%. Cost of services largely consists of the cost of providing hauling, manpower and other ancillary services by RTN to CBNC and costs of maintaining the pier facility used by THPAL. Items which contributed in the increase in cost of services include depreciation and depletion which increased from ₱17.7 million in 2010 to ₱108.8 million in 2011, and equipment operating costs from ₱31.8 million to ₱65.0 million.

Shipping and Loading Costs
Shipping and loading costs were ₱1,289.3 million in 2011 as compared to ₱855.5 million in 2010, an increase of ₱433.8 million, or 51%. The increase was due to higher contract fees from ₱511.4 million to ₱754.8 million brought about by additional LCT rentals, increase in fuel, oil and lubricants from ₱108.3 million to ₱225.1 million, as well as an increase in other services and fees from ₱132.6 million to ₱161.5 million due to higher wharfage, stevedoring charges and materials and supplies consumption. The increase in shipping and loading costs is related to the substantial increase in our sales volume in 2011.

General and Administrative
General and administrative expenses were ₱607.3 million in 2011 as compared to ₱475.7 million in 2010, an increase of ₱131.6 million, or 28%. The higher expenses in 2011 was primarily due to an increase in personnel costs attributable to new key personnel hires at our subsidiaries and higher employee bonuses, increase in depreciation expense due to acquisition of property and equipment and increase guarantee fee 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.

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. 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 increase in fair value of certain portfolio investments.

Finance Expense
Our finance expense was ₱40.0 million in 2011 as compared to ₱81.2 million in 2010, a decrease of ₱41.2 million, or 51%. 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, ₱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, ₱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 THPAL 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 ₱70.0 thousand 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 dividend payment from CBNC to RTN. These gains were partially offset by a ₱239.5 million casualty loss due to the 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 Landing Craft Transports, 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 ₱1,685.1 million in 2011 compared to ₱946.8 million in 2010, an increase of P738.3 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 ₱65.3 million as compared to the benefit from deferred income tax of ₱201.8 million in 2010, an increase of ₱267.1 million, or 132% which was the result of a deferred income tax benefit on the write-up of long-term stockpile inventory 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 ₱5,465.6 million in 2011 compared to ₱2,371.9 million in 2010. Net of noncontrolling interests, our net income was ₱3,536.5 million in 2011 as compared to ₱1,546.9 million in 2010, an increase of ₱1,989.6 million, or 129%.

Financial Position

Calendar year as at December 31, 2012 and 2011

Total assets amounted to ₱27,149.2 million in 2012 compared to ₱26,386.4 million in 2011.

Current assets decreased to ₱13,442.4 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 ₱150.8 million as a result of additional input taxes claimed from purchases of applicable goods and services.

Noncurrent assets increased from ₱12,117.0 million in 2011 to ₱13,706.8 million in 2012 due largely to the increase in property and equipment from ₱4,216.8 million to ₱5,949.9 million, consisting mostly of acquisitions of various dump trucks, wheel loaders, excavators and other equipments.

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

Total noncurrent liabilities decreased to ₱2,272.7 million from ₱2,455.8 million largely due to the decrease in long-term debt - net of current portion from ₱1,643.9 million to ₱1,422.7 million and deferred income tax liabilities - net from ₱591.1 million to ₱547.1 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. Pension liability also increased from ₱74.9 million to ₱90.8 million due to additional accrual of pension expense.

Equity - net of non-controlling interests increased to ₱18,888.7 million as at year ended 2012 from ₱17,911.6 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 ₱26,386.4 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 ₱12,117.0 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 ₱481.5 million. The increase was slightly offset by the decrease in other noncurrent assets from ₱977.4 million to ₱727.9 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 ₱2,455.8 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 ₱591.1 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 ₱74.9 million due to accrual of pension.

Equity - net of non-controlling interests increased to ₱17,911.6 million as at year ended 2011 from P15,001.7 million as at year ended 2010 due to net earnings in 2011.

<u>Cash Flows</u>

Calendar year ended December 31, 2012, 2011 and 2010

The net cash flows from operating activities amounted to ₱4,239.8 million in 2012, compared to ₱5,968.9 million in 2011 and ₱3,598.0 million in 2010, as proceeds from the sale of ore and dividends received from CBNC decreased in 2012 compared to years 2011 and 2010.

Net cash used for investment activities amounted to ₱3,509.6 million and ₱1,294.2 million in 2012 and 2011, respectively, mainly for the acquisitions of property and equipment and net acquisition of AFS financial assets. In 2010, net cash used for investing activities amounted to ₱6,024.8 million, largely as a result of our investments in the THPAL, as well as acquisition of property and equipment.

Net cash used in financing activities was ₱1,763.3 million and ₱1,138.4 million in 2012 and 2011, respectively, mostly for the payment of cash dividends. Cash generated from financing activities in 2010, net of payments of cash dividend and long-term debt amounted to ₱2,514.3 million, was largely a result of the issuance of capital stock, sale of treasury shares and the availment of long-term debt.

As at December 31, 2012, 2011 and 2010, cash and cash equivalents amounted to ₱9,263.5 million, ₱10,350.6 million and ₱6,806.0 million, respectively.

<u>Top Five (5) Key Performance Indicators</u>

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

Nickel prices have historically exhibited considerable volatility. Nickel prices climbed from as low as US$4.25 per pound in March 2009 to a high of US$12.51 per pound in April 2010. After recent corrections, the nickel price was US$11.32 per pound at the end of 2010. The average LME nickel prices per pound in 2008, 2009, 2010, 2011 and 2012 were US$9.55, US$6.67, US$9.89, US$10.35 and US$7.95, respectively.

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

Volume

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

The type and grade of ore that we mine

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

Mine Site Cash Cost per Volume Sold

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

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

The average mine site cash cost per volume sold in 2012 is ₱437.51 per WMT on the basis of aggregate cash costs of ₱5,157.8 million and a total sales volume of 11,789.2 thousand WMT of ore. This compares to ₱415.37 per WMT during the same period in 2011 on the basis of aggregate cash costs of ₱4,375.0 million and a total sales volume of 10,532.8 thousand WMT of ore.

To augment our operations in 2012 in order to meet the surge in demand for our ore, the Company engaged third party contractors to assist in the hauling and loading of ore Typically, the unit cost associated with the use of outside services is higher compared to costs incurred when volume handling is done by the Company.

Currency exchange rates

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

The Company's average realized peso-to-dollar rates for 2012, 2011 and 2010 are ₱42.22, ₱43.15 and ₱44.86, respectively.

Liquidity and Capital Resources

In the years ended 2012, 2011 and 2010, 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, respectively, under a throughput agreement whereby amounts are payable by CBNC and THNC to RTN and TMC, respectively, for use of the pier facilities. The revenues that we receive from CBNC and THNC under the throughput agreement have typically been sufficient to service our long-term debt.

As of December 31, 2012 and 2011, our working capital, defined as the difference between our current assets and current liabilities, was ₱12.2 billion and ₱12.6 billion, respectively. We may also from time to time seek other sources of funding, which may include debt or equity financings, depending on our financing needs and market conditions.

Off-balance sheet arrangements

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

Item 7. Financial Statements

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

Item 8. Information on Independent Accountants and other Related Matters

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

Mr. Jaime F. Del Rosario is our current audit partner and has served as such since the incorporation of NAC- Philippines or less than five years following the regulatory policy of audit partner rotation every five years. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period.

The following table sets out the aggregate fees incurred in 2012 and 2011 for professional services rendered by SGV & Co.:

	2012	2011
	(In Thousands)	
Audit and Audit-Related Services	₱9,809	₱10,439
Non-Audit Services	1,779	618
Total	₱11,588	₱11,057

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. List of Directors and Executive Officers of the Issuer

Directors

The following table sets forth information regarding our Directors.

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

Name	Age	Citizenship	Position	Date Elected
Manuel B. Zamora, Jr.	74	Philippine National	Chairman	June 8, 2012
Gerard H. Brimo	61	Philippine National	Executive Director, President and Chief Executive Officer	June 8, 2012
Ronaldo B. Zamora	68	Philippine National	Director	June 8, 2012
Philip T. Ang	71	Philippine National	Executive Director and Vice-Chairman	June 8, 2012
Luis J. L. Virata	58	Philippine National	Executive Director	June 8, 2012
Takanori Fujimura	68	Japanese National	Executive Director	June 8, 2012
Takeshi Kubota	58	Japanese National	Executive Director	June 8, 2012
Fulgencio S. Factoran, Jr.	69	Philippine National	Independent Director	June 8, 2012
Frederick Y. Dy	57	Philippine National	Independent Director	June 8, 2012

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

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

Manuel B. Zamora, Jr. is the Chairman and a founder of the Company. He is the Chairman of RTN and TMC. Mr. Zamora is also a director of a number of other companies in the Philippines, including CLSA Exchange Capital Inc. He was previously Chairman and President of the Chamber of Mines of the Philippines. Mr. Zamora is a lawyer and a member of the Integrated Bar of the Philippines.

Gerard H. Brimo is a director and the President and Chief Executive Officer of the Company and the President of RTN, TMC, HMC and CMC. Mr. Brimo joined the Company in 2008 and is also the President of two privately owned exploration companies, Newminco Nickel Mining Corp. and Newminco Pacific Mining Corp. Mr. Brimo began his mining career with Philex Mining Corp. as a Vice President in 1985 and served as Chairman and Chief Executive Officer of Philex Mining from 1994 until his retirement from the company in December 2003. He was President of the Chamber of Mines of the Philippines from 1993 to 1995 and Chairman from 1995 to 2003. Mr. Brimo received a Bachelor of Science in Business Administration from Manhattan College in New York and a Master in Business Management from the Asian Institute of Management.

Ronaldo B. Zamora is a director of the Company. Mr. Zamora joined the company in 2010. Mr. Zamora has served in various functions with the Philippine Government, both in the executive and legislative departments. He is likewise a Partner of the Zamora Poblador Vazquez &Bretana law office.

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

Luis J. L. Virata is a director of the Company. He is presently the Chairman and Chief Executive Officer of CLSA Exchange Capital, an investment banking joint venture formed in 2001 between CLSA Emerging Markets and Exchange Capital, which Mr. Virata formed in 1998. Mr. Virata is also presently the President and Chief Executive Officer of Coastal Road Corp., Chairman and President of Exchange Properties Resources Corp., Founder and Trustee of Asia Society and a director of Benguet

Corporation, Huntsman Foundation and Group 4 Securitas. Mr. Virata has previously held positions with Dillon, Read and Co., Crocker National Bank, Bankers Trust Company, Philippine Airlines, NSC Properties, Inc., The Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp. Mr. Virata received a Master of Business Administration from the Wharton School, University of Pennsylvania in 1979, and a Bachelor of Arts and Master of Arts in Economics from Trinity College, Cambridge University in 1976.

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

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

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

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

Executive Officers

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

Name	Age	Citizenship	Occupation
Jose S. Saret	65	Philippine National	Chief Operating Officer
Emmanuel L. Samson	53	Philippine National	Chief Financial Officer
Martin Antonio G. Zamora	40	Philippine National	Senior Vice President for Marketing and Strategic Planning
Raymundo B. Ferrer	56	Philippine National	Senior Vice President for Security and Administration
Rolando R. Cruz	52	Philippine National	Vice President of Operations
Jose Roderick F. Fernando	39	Philippine National	Vice President for Legal and Human Resources/Assistant Corporate Secretary/Compliance Officer
Koichi S. Ishihara	39	Japanese National	Vice President for Marketing & Purchasing
Jose Bayani D. Baylon	50	Philippine National	Vice President for Corporate Communications
Ma. Angela G. Villamor	47	Philippine National	Assistant Vice President for Internal Audit
Barbara Anne C. Migallos	58	Philippine National	Corporate Secretary

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

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

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

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

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

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

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

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

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

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

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

2. Significant Employees/Executive Officers

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

3. Family Relationship

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

4. Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

The following table identifies our Chief Executive Officer ("CEO") and four most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2010, 2011 and 2012. The amounts set forth in the table below have been prepared based on what we paid for the compensation of our executive officers for the years indicated and what we expect to pay on the ensuing year.

	December 31, 2011			December 31, 2012			December 31, 2013 (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
				(In Php Thousands)					
Named executive officers [1]	₱24,029	₱15,035	₱39,064	₱25,220	₱13,670	₱38,890	₱26,481	₱13,670	₱40,151
All other officers and directors as a group unnamed	6,198	4,234	10,432	11,443	5,345	16,788	12,016	5,345	17,361

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

<u>Compensation of Directors</u>

Board of Directors' compensation is on a per diem basis in the amount of ₱10,000 at each meeting of the Board. Currently, there are no arrangements for additional compensation of directors.

Stock Option Plan

On June 16, 2010, our Board of Directors and stockholders approved the NAC Executive Stock Option Plan (the "ESOP" or the "Plan") covering up to twelve million (12,000,000) Shares allocated to our officers and the officers of our subsidiaries, specifically those with a position of Assistant Vice President and higher, including all Resident Mine Managers of our subsidiaries. The optionees of the ESOP may avail of the ESOP Shares at ninety percent (90%) of the Offer Price for a number of ESOP Shares equivalent to up to three (3) years annual salary of the optionee. The term of the ESOP shall be six (6) years commencing from the date of the approval of the Plan and may be availed of by the optionees one (1) year from such commencement for up to twenty five percent (25%) of the optionee's entitlement and henceforth, up to another 25% of the optionee's entitlement per year thereafter. The optionee can exercise the vested option by giving notice to NAC within the term of the Plan, and can opt to either purchase the shares directly at the exercise price or request the Company to advance the purchase price and to sell the shares, in which case the participant will receive the sales proceeds less the exercise price. Cost of the executive stock option plan in 2012, 2011 and 2010 amounted to ₱2.8 million, ₱63.2 million and ₱1.1 million, respectively.

In 2012, several executive officers have exercised their option under the ESOP totaling 2,485,683 shares at an exercise price of ₱13.50 (or ₱9.00 per share after the effect of stock dividends).

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2012 follows:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	Mantra Resources Corporation 2/F NAC Centre, 143 dela Rosa cor. Adelantado Streets, Legaspi Village, Makati City		Filipino	516,106,971	25.63%
Common Stock	PCD Nominee Corporation (Filipino)		Filipino	276,577,197	19.17%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City		Foreign	508,618,014	25.26%
Common Stock	Luis J. L. Virata 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City	Nonillion Holding Corporation*	Filipino	264,572,338	13.16%
Common Stock	Ni Capital Corporation 3/F NAC Centre, 143 dela Rosa cor. Adelantado Streets, Legaspi Village, Makati City		Filipino	271,128,369	13.47%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	85,186,361	6.36%

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Preferred Stock	Nickel Asia Holdings, Inc. 6/F NAC Centre, 143 dela Rosa cor. Adelantado Streets, Legaspi Village, Makati City	Direct ownership	Filipino	720,000,000	100%

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

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2012 follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Manuel B. Zamora	67,884—Direct 516,106,971—through Mantra Resources Corporation	Filipino	25.63%
Common Stock	Gerard H. Brimo	2,782,500	Filipino	0.13%
Common Stock	Ronaldo B. Zamora	225	Filipino	0%
Common Stock	Philip T. Ang	78,387—Direct 271,128,369—through Ni Capital Corporation	Filipino	13.47%
Common Stock	Luis J. L. Virata	264,572,338—Direct	Filipino	13.14%
Common Stock	Fulgencio S. Factoran, Jr.	225	Filipino	0%
Common Stock	Frederick Y. Dy	225	Filipino	0%
Common Stock	Takanori Fujimura	300	Japanese	0%
Common Stock	Takeshi Kubota	300	Japanese	0%
Common Stock	Jose S. Saret	—	Filipino	0%
Common Stock	Emmanuel L. Samson	—	Filipino	0%
Common Stock	Martin Antonio G. Zamora	22	Filipino	0%
Common Stock	Raymundo B. Ferrer	—	Filipino	0%
Common Stock	Rolando R. Cruz	—	Filipino	0%
Common Stock	Jose Roderick F. Fernando	—	Filipino	0%
Common Stock	Koichi Ishihara	—	Japanese	0%
Common Stock	Jose Bayani D. Baylon	—	Filipino	0%
Common Stock	Barbara Anne C. Migallos	—	Filipino	0%

Voting Trust Holders of 5% or More

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

Changes in Control

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

Item 12. Certain Relationship and Related Transactions

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

Nickel Ore Sale Agreements with PAMCO

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

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

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

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

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

PART IV – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

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

Reports on SEC Form 17-C
There are SEC Forms 17-C filed in 2012 covered by this report, to wit:

Item Reported	Date Reported
Press Release on Update on Taganito Nickel Processing Plant	November 20, 2012
Press Release on Financial and Operating results for the Period Ended September 30, 2012	November 5, 2012
Press Release on Shipments Tonnage and Values for the Period Ended September 30, 2012	October 12, 2012
2012 Third Quarter Progress Report on the Application of the Proceeds from the Initial Public Offering (IPO)	October 11, 2012
Adoption of Audit Committee Manual	October 5, 2012
Press Release on Financial and Operating results for the Period Ended June 30, 2012	August 6, 2012
Press Release on Nickel Asia Shipment Volumes Up by 19%	July 12, 2012
2012 Second Quarter Progress Report on the Application of the Proceeds from the IPO	July 12, 2012
Resolutions from the 2012 Annual Stockholders' Meeting	June 8, 2012
Press Release on BOD Appointment of Mr. Jose Bayani Baylon as VP for Corporate Communications	May 29, 2012
Press Release on BOD Appointment/Promotion of Mr. Raymundo Ferrer, SVP for Security and Administration, Mr. Martin Antonio G. Zamora, SVP for Marketing and Strategic Planning and Mr. Koichi Ishihara, VP for Marketing and Purchasing	May 8, 2012
Press Release on Financial and Operating results for the Period Ended March 31, 2012	May 8, 2012
Press Release on Nickel Asia Q1 Shipment Volume Up 38%	April 13, 2012
2012 First Quarter Progress Report on the Application of the Proceeds from the IPO	April 13, 2012
Resolutions from the Board of Director's Meeting: Declaration of cash and stock dividends, application for increase in authorized capital stock and schedule of Annual Stockholders Meeting on June 8, 2012	March 28, 2012
Press Release on Financial and Operating Results for the Year Ended December 31, 2011	March 28, 2012
Clarification on the news article "4 large-scale mining firms in Caraga under MGB probe" posted in Inquirer.net	February 6, 2012
2011 Annual Summary Report on the Application of Proceeds from the IPO	January 30, 2012
Press Release on Nickel Asia 2011 Shipments up 51% to Php12.1 Billion	January 11, 2012

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 15, 2013.

By:

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President and
Chief Financial Officer

Jose S. Saret
Senior Vice President and
Chief Operating Officer

Barbara Anne C. Migallos
Corporate Secretary

Iryan Jean U. Padillo

Iryan Jean U. Padillo
Senior Finance Manager

APR 15 2013

Subscribed and sworn to before me this _______ day of ________, 2013 affiant (s) exhibiting to me his/theirPassport Number, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Gerard H. Brimo	EB6938052	12/12/12	Manila
Emmanuel L. Samson	EB6948468	12/13/12	Manila
Jose S. Saret	XX5493443	02/09/10	Manila
Barbara Anne C. Migallos	XX4141156	07/11/09	Manila
Iryan Jean U. Padillo	XX5099928	12/04/09	Manila

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GEORGE RAMIL C. RAMOS
Appointment No.M448
Notary Public for Makati City
Until December 31, 2013
Roll No. 59691
Admitted to the Bar, April 29,2011
PTR No. 3693412/01-22-13/Makati
IBP No. 926686/01-18-13/Cavite
6th Floor NAC Centre 143
Dela Rosa St, Cor, Adelantado Sts
Legaspi Village, Makati City

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, 2012 and 2011, including the additional components attached therein, in accordance with prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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 the consolidated financial statements before such statements and are approved and submitted 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 as of and for the year ended December 31, 2012 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 5th day of April 2013

Subscribed and sworn to before me this APR 15 2013
Affiant exhibited to me his/her CTC No. ________
Issued on ________ at ________

DOC. NO. 232
PAGE NO. 47
BOOK NO. 39
SERIES OF 2013

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 066
COMMISSION EXPIRES DEC. 31, 2013
PTR NO. 7561003, 1/02/2013, Q.C.
IBP NO. 934480, 1/02/2013, Q.C.
ROLL OF ATTORNEY NO. 25103

Nickel Asia Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2012 and 2011
and Years Ended December 31, 2012, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV & Co
Ernst & Young

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Nickel Asia Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, 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, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nickel Asia Corporation and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, Valid until April 15, 2015
PTR No. 3669674, January 2, 2013, Makati City

April 5, 2013

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱9,263,451**	₱10,350,592
Trade and other receivables (Note 5)	**937,860**	1,156,293
Inventories (Note 6)	**2,004,188**	2,008,003
Available-for-sale (AFS) financial assets (Note 7)	**1,086,104**	660,223
Other current assets (Note 8)	**150,820**	94,289
Total Current Assets	**13,442,423**	14,269,400
Noncurrent Assets		
AFS financial assets (Note 7)	**1,041,934**	907,597
Property and equipment (Note 9)	**5,949,928**	4,216,838
Investment properties (Note 10)	**72,191**	53,637
Investment in an associate (Note 11)	**3,988,929**	4,371,867
Long-term stock pile inventory - net of current portion (Note 12)	**1,266,010**	1,357,675
Deferred income tax assets - net (Note 33)	**353,327**	481,493
Other noncurrent assets (Note 13)	**1,034,485**	727,906
Total Noncurrent Assets	**13,706,804**	12,117,013
TOTAL ASSETS	**₱27,149,227**	₱26,386,413
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱864,015**	₱1,238,101
Income tax payable	**295,095**	275,169
Current portion of long-term debt (Note 15)	**116,619**	124,545
Total Current Liabilities	**1,275,729**	1,637,815
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	**1,422,670**	1,643,908
Deferred income tax liabilities - net (Note 33)	**547,075**	591,069
Provision for mine rehabilitation and decommissioning (Note 16)	**132,522**	61,726
Deferred income - net of current portion (Note 31)	**79,609**	84,154
Pension liability (Note 32)	**90,797**	74,932
Total Noncurrent Liabilities	**2,272,673**	2,455,789
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 17)	**1,013,938**	677,116
Additional paid-in capital (Note 17)	**8,117,558**	8,075,641
Other components of equity:		
Net valuation gains on AFS financial assets (Note 7)	**65,199**	20,889
Cost of share-based payment plan (Note 18)	**57,464**	64,308
Asset revaluation surplus	**34,012**	34,395
Share in cumulative translation adjustment (Note 11)	**(136,909)**	118,251
Retained earnings	**9,737,447**	8,920,976
	18,888,709	17,911,576
Non-controlling Interests	**4,712,116**	4,381,233
Total Equity	**23,600,825**	22,292,809
TOTAL LIABILITIES AND EQUITY	**₱27,149,227**	₱26,386,413

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2012	2011	2010
REVENUES (Note 31)			
Sale of ore	**₱11,143,293**	₱12,230,278	₱8,074,298
Services and others (Note 10)	**463,614**	464,428	261,740
	11,606,907	12,694,706	8,336,038
COSTS AND EXPENSES			
Cost of sales (Note 20)	**4,458,989**	3,349,690	3,062,028
Cost of services (Note 21)	**334,089**	278,947	144,036
Shipping and loading costs (Note 22)	**1,417,719**	1,289,324	855,450
Excise taxes and royalties (Note 23)	**707,937**	736,262	523,208
General and administrative (Note 24)	**627,950**	607,275	475,732
	7,546,684	6,261,498	5,060,454
FINANCE INCOME (Note 27)	**235,040**	208,436	130,768
FINANCE EXPENSES (Note 28)	**(20,839)**	(39,979)	(81,240)
EQUITY IN NET LOSSES OF AN ASSOCIATE (Note 11)	**(114,639)**	(196,185)	(6,412)
OTHER INCOME - net (Note 29)	**328,940**	745,200	7
INCOME BEFORE INCOME TAX	**4,488,725**	7,150,680	3,318,707
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)			
Current	**1,264,270**	1,619,779	1,148,564
Deferred	**80,546**	65,344	(201,785)
	1,344,816	1,685,123	946,779
NET INCOME	**₱3,143,909**	₱5,465,557	₱2,371,928
Net income attributable to:			
Equity holders of the parent	**₱2,221,316**	₱3,536,474	₱1,546,889
Non-controlling interests	**922,593**	1,929,083	825,039
	₱3,143,909	₱5,465,557	₱2,371,928
Earnings per share (Note 19)			
Basic	**₱1.10**	₱1.76	₱0.99
Diluted	**₱1.10**	₱1.75	₱0.99

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
NET INCOME	**₱3,143,909**	₱5,465,557	₱2,371,928
OTHER COMPREHENSIVE INCOME (LOSS)			
Share in translation adjustment of an associate (Note 11)	**(268,299)**	(2,401)	133,790
Income tax effect	**13,139**	241	(13,379)
	(255,160)	(2,160)	120,411
Net valuation gain (loss) on AFS financial assets (Note 7)	**66,568**	(23,756)	14,103
Income tax effect	**(15,706)**	7,371	(2,156)
	50,862	(16,385)	11,947
Asset revaluation surplus	**(547)**	(547)	(547)
Income tax effect	**164**	164	164
	(383)	(383)	(383)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	**(204,681)**	(18,928)	131,975
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱2,939,228**	₱5,446,629	₱2,503,903
Total comprehensive income attributable to:			
Equity holders of the parent	**₱2,010,083**	₱3,517,231	₱1,676,245
Non-controlling interests	**929,145**	1,929,398	827,658
	₱2,939,228	₱5,446,629	₱2,503,903

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Cost of Share based Payment Plan (Note 18)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment of an Associate (Note 11)	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2011	**₱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**
Net income	–	–	–		–	–	2,221,316	2,221,316	922,593	3,143,909
Other comprehensive income (loss)	–	–	–	44,310	(255,160)	(383)	–	(211,233)	6,552	(204,681)
Total comprehensive income (loss)	–	–	–	44,310	(255,160)	(383)	2,221,316	2,010,083	929,145	2,939,228
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**	**₱9,737,447**	**₱18,888,709**	**₱4,712,116**	**₱23,600,825**

			Equity Attributable to Equity Holders of the Parent							
	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Cost of Share based Payment Plan (Note 18)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment of an Associate (Note 11)	Asset Revaluation Surplus	Retained Earnings	Total	Non-controlling Interests	Total
Balances at December 31, 2010	₱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
Net income	–	–	–	–	–	–	3,536,474	3,536,474	1,929,083	5,465,557
Other comprehensive income (loss)	–	–	–	(16,700)	(2,160)	(383)	–	(19,243)	315	(18,928)
Total comprehensive income (loss)	–	–	–	(16,700)	(2,160)	(383)	3,536,474	3,517,231	1,929,398	5,446,629
Cost of share-based payment (Note 18)	–	–	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	₱8,920,976	₱17,911,576	₱4,381,233	₱22,292,809

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Cost of Share based Payment Plan (Note 18)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment of an Associate (Note 11)	Asset Revaluation Surplus	Retained Earnings	Treasury Shares (Notes 1 and 17)	Total	Non-controlling Interests	Total
			Equity Attributable to Equity Holders of the Parent								
Balances at December 31, 2009	₱478,812	₱4,894,613	₱–	₱28,261	₱–	₱35,161	₱7,659,271	(₱1,821,994)	₱11,274,124	₱3,002,731	₱14,276,855
Net income	–	–	–	–	–	–	1,546,889	–	1,546,889	825,039	2,371,928
Other comprehensive income (loss)	–	–	–	9,328	120,411	(383)	–	–	129,356	2,619	131,975
Total comprehensive income (loss)	–	–	–	9,328	120,411	(383)	1,546,889	–	1,676,245	827,658	2,503,903
Cost of share-based payment (Note 18)	–	–	1,101	–	–	–	–	–	1,101	–	1,101
Issuance of shares (Note 17)	123,304	3,008,155	–	–	–	–	–	–	3,131,459	–	3,131,459
Cash dividends - ₱3.16 per share (Note 17)	–	–	–	–	–	–	(3,076,500)	–	(3,076,500)	–	(3,076,500)
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	383	–	383	–	383
Reissuance of treasury shares (Note 17)	–	172,873	–	–	–	–	–	1,821,994	1,994,867	–	1,994,867
Stock dividends (Note 17)	75,000	–	–	–	–	–	(75,000)	–	–	–	–
Share of non-controlling interests in cash dividends of a subsidiary	–	–	–	–	–	–	–	–	–	(688,500)	(688,500)
Balances at December 31, 2010	₱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

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,488,725**	₱7,150,680	₱3,318,707
Adjustments for:			
Depreciation and depletion (Note 26)	**981,883**	733,821	563,139
Interest income (Note 27)	**(226,414)**	(208,436)	(128,758)
Dividend income (Notes 7 and 29)	**(192,720)**	(436,369)	(120,246)
Equity in net losses of an associate (Note 11)	**114,639**	196,185	6,412
Unrealized foreign exchange losses (gains) - net	**(48,990)**	(23,937)	73,798
Interest expense (Notes 21 and 28)	**44,571**	34,949	10,865
Movements in pension liability	**15,865**	25,965	(1,358)
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	**13,539**	10,355	9,217
Cost of share-based payment plan (Note 18)	**2,759**	63,207	1,101
Loss (gain) on :			
Sale of property and equipment (Note 29)	**1,369**	2,896	–
Valuation on AFS financial assets transferred from equity to profit or loss - net (Notes 7 and 27)	**(6,490)**	18,316	9,520
Write-up of long-term stockpile inventory (Notes 12 and 29)	**–**	(573,090)	–
Casualty losses (Note 29)	**–**	239,459	–
Changes in fair value of financial assets at fair value through profit or loss (FVPL) (Note 27)	**–**	–	(2,010)
Derivative transactions - net (Note 29)	**–**	–	46,987
Operating income before working capital changes	**5,188,736**	7,234,001	3,787,374
Decrease (increase) in:			
Trade and other receivables	**217,385**	(46,994)	148,508
Inventories	**95,480**	(450,008)	230,078
Other current assets	**(56,531)**	(6,374)	195,935
Increase (decrease) in trade and other payables	**(334,319)**	302,922	98,210
Net cash generated from operations	**5,110,751**	7,033,547	4,460,105
Income taxes paid	**(1,244,344)**	(1,666,737)	(1,078,810)
Interest received	**229,198**	208,436	112,373
Dividends received	**192,720**	436,369	120,246
Interest paid	**(48,563)**	(42,721)	(15,954)
Net cash flows from operating activities	**4,239,762**	5,968,894	3,597,960
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment and investment properties (Notes 9 and 10)	**(2,719,033)**	(1,293,765)	(2,158,553)
AFS financial assets (Note 7)	**(570,100)**	(889,929)	(1,732,591)
Investment in an associate (Note 11)	**–**	–	(4,443,075)
Financial assets at FVPL	**–**	–	(136,881)
Proceeds from:			
Sale of AFS financial assets (Note 7)	**79,495**	674,387	2,323,172
Sale of property and equipment	**5,115**	401	845
Sale of financial assets at FVPL	**–**	–	457,106
Settlement of derivative transactions	**–**	–	(46,987)
Decrease (increase) in:			
Deferred income (Note 31)	**(4,545)**	355	83,799
Other noncurrent assets	**(300,535)**	214,357	(371,634)
Net cash flows used in investing activities	**(3,509,603)**	(1,294,194)	(6,024,799)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Exercise of stock options (Note 17)	**33,557**	–	3,131,459
Availment of long-term debt (Note 15)	**–**	308,142	1,202,781
Investment of noncontrolling interest in a subsidiary	**–**	67,446	–
Reissuance of treasury shares (Note 17)	**–**	–	1,994,867
Payments of:			
Cash dividends (Note 17)	**(1,673,452)**	(1,428,424)	(3,765,000)
Long-term debt	**(123,371)**	(85,598)	(49,827)
Net cash flows from (used in) financing activities	**(1,763,266)**	(1,138,434)	2,514,280
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,033,107)**	3,536,266	87,441
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,350,592**	6,805,968	6,779,215
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(54,034)**	8,358	(60,688)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱9,263,451**	₱10,350,592	₱6,805,968

See accompanying Notes to Consolidated Financial Statements.

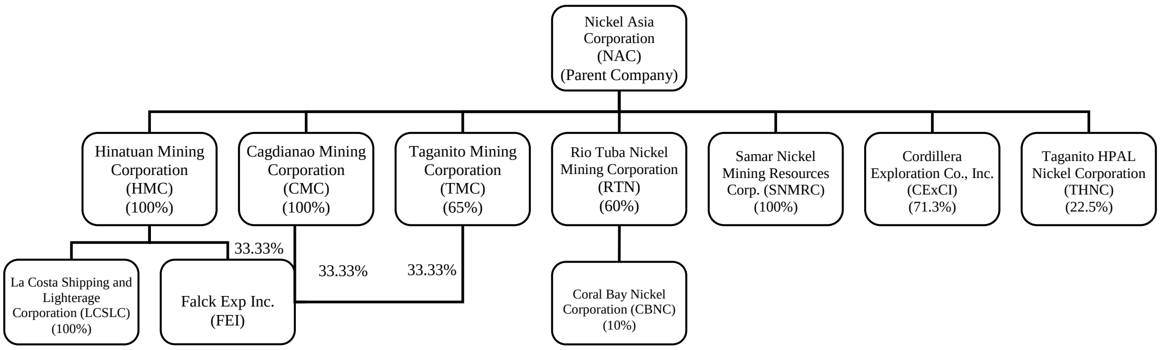
NICKEL ASIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Number of Shares, Per Share Data and as Indicated)

1. Corporate Information

Nickel Asia Corporation (the Company, Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 2008. The 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 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 ₱10.00 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 NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

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 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City, Philippines.

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. The registered office address of TMC is 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

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 nickel ore and providing non-mining services located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The registered office address of RTN is 2nd Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City, Philippines.

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 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City, Philippines.

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 LCSLC is 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City, Philippines. LCSLC was acquired by HMC in April 2010 (see Note 30).

SNMRC
SNMRC was registered with the SEC on May 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 SNRMC is 4th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City, Philippines.

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 7th Floor, NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City, Philippines.

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 (EPs) or Exploration Permit Application (EXPAs) or Application for Production Sharing Agreements (APSAs) 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.

The Parent Company's registered office address is 6th Floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City.

The consolidated financial statements as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were authorized for issuance by the Parent Company's BOD on April 5, 2013.

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.

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):

	Country of Domicile	Nature of Business	Effective Ownership	
			2012	2011
HMC	Philippines	Mining	**100%**	100%
CMC	Philippines	Mining	**100%**	100%
SNMRC	Philippines	Mining	**100%**	100%
LCSLC*	Philippines	Services	**100%**	100%
FEI*	Philippines	Mining	**88%**	88%
CExCI	Philippines	Mining	**71%**	71%
TMC	Philippines	Mining and Services	**65%**	65%
RTN	Philippines	Mining and Services	**60%**	60%

*Direct and indirect ownership

Subsidiaries
Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally has an interest of more than one half of the voting rights of the entities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the Subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

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

Non-controlling Interest
Non-controlling interest represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income is attributed to the equity holders of the Parent Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Non-controlling interest 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- 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 profit or loss; and
- Reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

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 and PAS which were adopted as at January 1, 2012.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a "sale" basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ("use" basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2012
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.

Effective in 2013:

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments to PAS 1 change the grouping of items presented in OCI. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items of OCI are classified through profit or loss in the future periods. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard is effective for annual periods beginning on or after January 1, 2013. 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 clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has an impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the Group's financial statements upon adoption of the standard.

  The impacts of the revisions of the standard to the consolidated statements of financial position once adopted by the Group are presented below:

	As at December 31, 2012	As at January 1, 2012	As at January 1, 2011
Increase (decrease) in:			
Retirement obligation	**₱48,961**	₱54,111	₱36,909
Deferred income tax asset	**14,688**	16,233	11,073
Other comprehensive income	**(36,648)**	(39,061)	(25,836)
Retained earnings	**2,375**	1,183	–

  The impacts of the revisions to the consolidated statements of income are presented below:

	2012	2011
Increase (decrease) in:		
Retirement costs	**(₱1,703)**	(₱1,690)
Income tax expense	**511**	507
Net income:		
Attributable to the equity holders of the parent	**775**	769
Attributable to non-controlling interests	**417**	414

  The impacts of the revisions to the consolidated statements of comprehensive income are presented below:

	2012	2011
Increase (decrease) in:		
Remeasurement of retirement obligation	**₱3,447**	(₱18,893)
Income tax effects	**(1,034)**	5,668
Other comprehensive income, net of tax		
Attributable to the equity holders of the parent	**1,569**	(8,596)
Attributable to non-controlling interests	**845**	(4,629)

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 10, *Consolidated Financial Statement* 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 separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, 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.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities* (Amendments)
  The 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. 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 statement of financial position;
  c) The net amounts presented in the 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 to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also addresses the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*, resulting to SIC being withdrawn. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will 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 new standard will be applied retrospectively. The adoption of PFRS 10 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 11, *Joint Arrangements*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes 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.

- PFRS 12, *Disclosure of Interests in Other Entities*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  This standard is effective for annual periods beginning on or after January 1, 2013. 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 when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation becomes effective for annual periods beginning on or after January 1, 2013 and applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). The interpretation addresses the accounting for the benefit from the stripping activity.

Annual Improvements to PFRSs (2009-2011 cycles)

These amendments to the standards are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- 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*
  The 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. 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 will not have any 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 Group expects that this amendment will not have any impact on its 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.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
  The amendments to PAS 32 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 applied retrospectively.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  This standard is effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

To be Determined:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council 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. Adoption of the interpretation when it becomes effective will not have any impact on the Group's financial statements.

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

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

<u>Foreign Currency Translation</u>
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 the end of 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 financial 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 Company (the Philippine peso) at the rate of exchange at the financial reporting period and the statements of income is translated at the monthly average exchange rates for the year. The exchange differences arising on the translation is recognized in other comprehensive income. Upon disposal of such associate, the component of other comprehensive income relating to that particular foreign operation will be recognized in the consolidated statement of income.

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 FVPL and HTM investments as at December 31, 2012 and 2011.

Financial Liabilities

Also under PAS 39, financial liabilities are classified into financial liabilities at FVPL, loans and borrowings 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 loans and borrowings. The Group has no financial liabilities classified as at FVPL as at December 31, 2012 and 2011.

Determination of Fair Values of Financial Instruments
The fair values of financial instruments that are traded in active markets at each end of the financial reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price short positions, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The Group uses hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices in active markets for identical asset or liability

- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

- Level 3 - Those with inputs for asset or liability that are not based on observable market date (unobservable inputs)

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

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 short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less 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 is included under "Finance expenses" in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income as "Finance expenses".

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2012 and 2011, the Group's loans and receivables include cash and cash equivalents, trade and other receivables and cash held in escrow and mine rehabilitation fund (MRF) which are included in "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 as 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 other 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 financial reporting period. Otherwise, these are classified as noncurrent assets.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Where the Group holds more than one (1) investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as "Interest income" using the EIR. Dividends earned on holding AFS financial assets are recognized in the consolidated 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 quoted debt securities and quoted and unquoted equity securities are classified under this category (see Note 7).

Loans and Borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. Loans and borrowings are classified as current liabilities if maturity is within twelve (12) months from financial reporting period. Otherwise, these are classified as noncurrent liabilities.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements 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 payables and other obligations that meet the above definition (other than liabilities that are covered by other accounting standards, such as income tax payable and pension) (see Notes 14 and 15).

Offsetting of Financial Instruments

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

Impairment of Financial Assets

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

Loans and Receivables

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

If there is objective evidence that an impairment loss has 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 statements 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 financial reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. "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 other comprehensive income 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 and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring 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 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.

Business Combinations and Goodwill starting January 1, 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in consolidated statement of income or as change to other income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Business Combination Prior to January 1, 2010
In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Business Combination Accounted for Using the Pooling of Interest Method
Business combinations involving entities or entities under common control with no consideration transferred are accounted for using the pooling of interest method which is scoped out of PFRS 3, *Business Combination*. The pooling of interests method generally involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, that would otherwise be done under the purchase method. The only adjustments that are made are to harmonize accounting policies;

- No new goodwill is recognized as a result of the combination; the only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity;
- The consolidated statements of income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

Inventories

Inventories, excluding the long-term stock pile 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 Stock Pile Inventory

The long-term stock pile inventory of RTN is carried at the lower of cost or NRV. Cost is represented by the fair value of the long-term stock pile 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 Coral Bay Nickel Corporation (CBNC) under its Nickel Ore Supply Agreement with CBNC (see Note 31). After initial recognition, the long-term stock pile inventory is subsequently charged to cost of sales based on actual tons delivered to CBNC. NRV of long-term inventory stock pile is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 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 is 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. Depletion on mining properties and development costs is calculated based on 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.

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.

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.

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.

The assets' estimated recoverable reserves, residual values, useful lives and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation 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 reporting period.

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.

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 Property

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.

Depreciation is computed on a straight-line basis over 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

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, 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 share of earnings or losses of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit 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. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Deferred Mine Exploration Costs

Expenditures for mine exploration work prior to drilling are charged to operations. Expenditures for the acquisition of property rights are capitalized. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to property and equipment. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.

Impairment of Nonfinancial Assets

Property and Equipment, Investment Property 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 additional impairment loss on the Group's investment in an associate. The Group determines at end of reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining 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 retaining 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.

Other Current Assets
Other current assets include 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.

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

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.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statements 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.

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.

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.

Where the Parent Company or any of its subsidiaries purchases the Parent Company’s shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Parent Company’s equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Parent Company’s stockholders.

Dividend distribution to the Parent Company's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved or declared by the Parent Company's BOD.

Retained Earnings

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

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 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 end of financial reporting period, the Group accrues the remaining ten 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 of RTN consists of construction contracts and service fees. Contract fee is recognized by reference to the stage of completion of the service. Service fee is recognized as 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.

Cost and Expenses Recognition

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

<u>Leases</u>

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are amortized as an expense in 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.

<u>Pension Benefits</u>

The Group has two funded and two unfunded noncontributory defined benefit retirement plans covering substantially all of its employees. Pension costs are actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately in the consolidated statement of income.

The defined benefit pension asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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 consolidated statement of income charge or credit for a period 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 Earnings Per Share
Basic Earnings Per Share (EPS)
Basic EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent 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.

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 tax rates and 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 liability method on temporary differences at the end of 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 profit or loss; and

- in respect of taxable temporary differences associated with investments in foreign subsidiaries 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 taxable profit 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 profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in foreign subsidiaries 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 profit 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 tax rates (and 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 Reporting Period
Post year-end events that provide additional information about the Group's position at the end of 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.

Classification of 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 statement of financial position.

Estimation of 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 Competent Persons as defined in accordance with Philippine Mineral Reporting Code (PMRC) which depend significantly on the interpretation of geological data obtained from drill holes and other sampling techniques, which is extrapolated to produce estimates of the size, shape, depth and grade of ore bodies. In addition, to calculate the reserves in accordance with the Joint Ore Reserves Committee (JORC) Code, the Group 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.

Estimation of Recoverability of Long-term Stock Pile Inventory
The determination of the Group's long-term stock pile inventory include among others, projected revenues, operating and delivering costs from the sale of the long-term stock pile. Actual results that differ from the Group's assumptions generally affect the Group's recognized expense. The long-term stock pile inventory is carried at the lower of cost or NRV. An allowance for inventory losses is recognized when the carrying value of those assets is not recoverable and exceeds their NRV. Long-term stock pile inventory - net of current portion amounted to ₱1,266.0 million and ₱1,357.7 million as at December 31, 2012 and 2011, respectively (see Note 12).

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

Determining Operating Lease Commitments - Group as a Lessor
The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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 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 and the customer's current credit status 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 value of trade and other receivables amounted to ₱937.9 million and ₱1,156.3 million as at December 31, 2012 and 2011, respectively. Allowance for impairment losses on trade and other receivables amounted to ₱43.7 million and ₱226.2 million as at December 31, 2012 and 2011, respectively (see Note 5).

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 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, the percentage of contained nickel ore based on assay data. Stockpile tonnages are verified by periodic surveys. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

As at December 31, 2012 and 2011, inventories carried at lower of cost or NRV amounted to ₱2,004.2 million and ₱2,008.0 million, respectively. Allowance for inventory losses recognized amounted to ₱383.4 million and ₱403.5 million as at December 31, 2012 and 2011, 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 carrying value of AFS financial assets amounted to ₱2,128.0 million and ₱1,567.8 million as at December 31, 2012 and 2011, respectively (see Note 7). No impairment loss was recognized on unquoted AFS financial assets in 2012 and 2011 (see Note 7).

Estimating Useful Lives of Property and Equipment and Investment Property
The Group estimates the useful lives of property and equipment and investment property 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 property 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 property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates

brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property and equipment and investment properties as at December 31, 2012 and 2011.

The carrying values of property and equipment as at December 31, 2012 and 2011 amounted to ₱5,949.9 million and ₱4,216.8 million, respectively. The balance of the accumulated depreciation and depletion of property and equipment amounted to ₱3,951.5 million and ₱2,982.8 million as at December 31, 2012 and 2011, respectively (see Note 9). The carrying values of investment property as at December 31, 2012 and 2011 amounted to ₱72.2 million and ₱53.6 million, respectively. The balance of the accumulated depreciation of investment properties amounted to ₱70.0 million and ₱62.5 million as at December 31, 2012 and 2011, respectively (see Note 10).

Estimating Impairment Losses on Property and Equipment and Investment Properties
The Group assesses impairment on property and equipment and investment property 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 2012 and 2011.

The carrying values of property and equipment and investment properties amounted to ₱5,949.9 million and ₱72.2 million, respectively, as at December 31, 2012, and ₱4,216.8 million and ₱53.6 million, respectively, as at December 31, 2011 (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 2012 and 2011 that may indicate that the carrying value of investment in an associate may not be recoverable. The carrying values of the Group's investment in an associate amounted to ₱3,988.9 million and ₱4,371.9 million as at December 31, 2012 and 2011, respectively (see Note 11). No impairment loss was recognized on investment in an associate in 2012 and 2011 (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, 2012 and 2011 amounted to ₱139.3 million and ₱118.3 million, respectively. Allowance for impairment losses recognized on deferred mine exploration costs amounted to nil and ₱72.2 million as at December 31, 2012 and 2011, 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 value of other current assets amounted to ₱150.8 million and ₱94.3 million as at December 31, 2012 and 2011, respectively, while other noncurrent assets, net of cash held in escrow and MRF, amounted to ₱832.9 million and ₱569.5 million as at December 31, 2012 and 2011, respectively. Allowance for impairment losses on the Group’s nonfinancial other current assets as at December 31, 2012 and 2011 amounted to ₱0.9 million (see Note 8). Allowance for impairment losses on the Group’s nonfinancial other noncurrent assets as at December 31, 2012 and 2011 amounted to ₱16.5 million and ₱93.6 million, respectively (see Note 13).

Estimating Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of 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 statements 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 ₱57.3 million in 2012 and a reduction of ₱4.0 million in 2011 (see Notes 9 and 16). Provision for mine rehabilitation and decommissioning amounted to ₱132.5 million and ₱61.7 million as at December 31, 2012 and 2011, respectively (see Note 16).

Determining Pension Benefits
The determination of the Group’s obligation and cost 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, 2012 and 2011, pension asset included under "Other noncurrent assets" account amounted to ₱38.6 million and ₱3.9 million, respectively (see Notes 13 and 32). Pension liability amounted to ₱90.8 million and ₱74.9 million as at December 31, 2012 and 2011, 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 2012 and 2011, with a corresponding charge to the equity account amounted to ₱2.8 million and ₱63.2 million, respectively. As at December 31, 2012 and 2011, the balance of employee share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱57.5 million and ₱64.3 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 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 ₱353.3 million and ₱481.5 million as at December 31, 2012 and 2011, respectively (see Note 33).

As at December 31, 2012 and 2011, the Group has temporary difference on NOLCO and excess Minimum Corporate Income Tax (MCIT) amounting to ₱765.8 million and ₱134.3 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

	2012	2011
Cash on hand and with banks	**₱637,617**	₱1,135,838
Short-term cash investments	**8,625,834**	9,214,754
	₱9,263,451	₱10,350,592

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.

The Group has United States dollar (US$)-denominated cash and cash equivalents amounting to ₱613.9 million and ₱3,573.6 million as at December 31, 2012 and 2011, respectively (see Note 34).

Interest income earned from cash and cash equivalents amounted to ₱205.7 million, ₱196.7 million and ₱114.3 million in 2012, 2011 and 2010, respectively (see Note 27).

Cash with banks amounting to ₱64.2 million and ₱125.6 million as at December 31, 2012 and 2011, 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

	2012	2011
Trade (see Note 31)	**₱368,184**	₱735,851
Receivable from CBNC (see Note 31)	**276,394**	360,888
Amounts owed by related parties (see Note 31)	**6,611**	5,435
Others (see Note 31)	**330,412**	280,326
	981,601	1,382,500
Less allowance for impairment losses	**43,741**	226,207
	₱937,860	₱1,156,293

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

The Group has United States dollar (US$)-denominated trade and other receivables amounting to ₱552.1 million and ₱911.0 million as at December 31, 2012 and 2011, respectively (see Note 34).

Other receivables comprise mainly of receivables from contractors and suppliers which are noninterest-bearing and are generally collectible on demand.

Trade receivables include receivable from THNC amounting to ₱28.9 million and ₱32.1 million as at December 31, 2012 and 2011, respectively (see Note 31).

Movements of allowance for impairment losses as at December 31, 2012 and 2011 follow:

2012	**Trade**	**Others**	**Total**
Balances at January 1	**₱223,125**	**₱3,082**	**₱226,207**
Provision (see Note 28)	**–**	**811**	**811**
Write-off	**(191,075)**	**–**	**(191,075)**
Foreign exchange adjustment	**386**	**7,412**	**7,798**
Balances at December 31	**₱32,436**	**₱11,305**	**₱43,741**

2011	Trade	Others	Total
Balances at January 1	₱212,247	₱2,066	₱214,313
Provision (see Note 28)	–	3,962	3,962
Write-off	–	(2,946)	(2,946)
Foreign exchange adjustment	10,878	–	10,878
Balances at December 31	₱223,125	₱3,082	₱226,207

6. **Inventories**

	2012	2011
Beneficiated nickel ore and limestone ore - at cost	**₱1,140,500**	₱1,046,943
Beneficiated nickel ore - at NRV	**331,239**	340,116
Current portion of long-term stock pile inventory (see Note 12)	**139,076**	180,409
Materials and supplies:		
At NRV	**352,077**	404,414
At cost	**41,296**	36,121
	₱2,004,188	₱2,008,003

Movements of allowance for inventory losses in 2012 and 2011 follow:

2012	**Beneficiated nickel ore**	**Materials and supplies**	**Total**
Balances at January 1	**₱360,052**	**₱43,405**	**₱403,457**
Reclassification	**(20,038)**	**–**	**(20,038)**
Balances at December 31	**₱340,014**	**₱43,405**	**₱383,419**

2011	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱361,847	₱22,469	₱384,316
Provisions (see Note 29)	–	20,936	20,936
Recovery (see Note 29)	(1,795)	–	(1,795)
Balances at December 31	₱360,052	₱43,405	₱403,457

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱671.3 million and ₱700.2 million as at December 31, 2012 and 2011, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱395.5 million and ₱447.8 million as at December 31, 2012 and 2011, respectively.

Costs of inventories charged as expense amounted to ₱3,552.3 million, ₱3,576.5 million and ₱3,170.3 million in 2012, 2011 and 2010, respectively.

7. AFS Financial Assets

	2012	2011
Quoted instruments:		
Debt securities	**₱282,227**	₱381,458
Equity securities	**926,908**	331,977
Unquoted equity securities	**918,903**	854,385
	₱2,128,038	₱1,567,820

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

The movements in AFS financial assets account follow:

	2012	2011
Balances at January 1	**₱1,567,820**	₱1,377,137
Additions	**570,100**	889,929
Disposals	**(57,975)**	(665,624)
Effect of changes in foreign exchange rate	**(2,769)**	(17,237)
Movements recognized in equity:		
Gains (losses) recognized in equity	**65,830**	(29,919)
Reclassification adjustments for income included in consolidated statements of income (see Notes 27 and 28)	**(6,490)**	18,316
Income tax effect	**(15,030)**	(5,097)
Valuation gains taken into the consolidated statements of comprehensive income - net of tax	**44,310**	(16,700)
Non-controlling interest in gains recognized in equity	**6,552**	315
Balances at December 31	**2,128,038**	1,567,820
Less: noncurrent portion	**1,041,934**	907,597
Current portion	**₱1,086,104**	₱660,223

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, 2012 and 2011, quoted shares amounting to ₱1,086.1 million and ₱660.2 million, respectively, were classified as current based on management’s intention to dispose the shares within one (1) year from end of reporting period. The noncurrent portion of AFS financial assets amounted to ₱1,041.9 million and ₱907.6 million as at December 31, 2012 and 2011, respectively. As at December 31, 2012, the Group has no intention to dispose its unquoted equity shares within the next year.

Dividend income earned from AFS financial assets amounted to ₱192.7 million, ₱436.4 million and ₱120.2 million in 2012, 2011 and 2010, respectively, of which ₱191.9 million, ₱434.2 million and ₱114.0 million relates to dividends coming from investments in unquoted securities (see Note 29), while interest income from debt securities amounted to ₱20.7 million, ₱8.5 million and ₱14.5 million in 2012, 2011 and 2010, respectively (see Note 27).

The valuation gains of ₱44.3 million, ₱16.7 million and ₱9.3 million is net of share in non-controlling interest amounting to ₱6.6 million, ₱0.3 million and ₱2.6 million as at December 31, 2012, 2011 and 2010, respectively.

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

8. Other Current Assets

	2012	2011
Input tax (net of allowance for impairment losses of ₱0.9 million in 2012 and 2011)	**₱87,645**	₱35,101
Prepaid tax	**34,835**	1,721
Advances and deposits	**10,372**	12,197
Prepaid insurance	**7,217**	5,051
Tax credit certificates	**6,616**	29,680
Prepaid rent and others	**4,135**	10,539
	₱150,820	₱94,289

9. Property and Equipment

	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 (see Note 16)	–	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 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

	2011					
	Land	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost:						
Balances at January 1	₱242,237	₱408,617	₱3,816,459	₱757,985	₱1,218,921	₱6,444,219
Additions	–	1,063	781,131	205,740	293,831	1,281,765
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 16)	–	(4,048)	–	–	–	(4,048)
Capitalized borrowing costs (see Note 15)	–	–	–	–	7,772	7,772
Transfers	–	–	1,949	1,380,559	(1,382,508)	–
Disposals	–	–	(527,095)	(3,021)	–	(530,116)
Balances at December 31	₱242,237	₱405,632	₱4,072,444	₱2,341,263	₱138,016	₱7,199,592
Accumulated depreciation and depletion:						
Balances at January 1	₱–	₱176,081	₱2,055,003	₱353,441	₱–	₱2,584,525
Depreciation and depletion (see Note 26)	–	3,277	521,529	199,807	–	724,613
Disposals	–	–	(323,363)	(3,021)	–	(326,384)
Balances at December 31	–	179,358	2,253,169	550,227	–	2,982,754
Net book values	₱242,237	₱228,767	₱1,819,275	₱1,791,036	₱135,523	₱4,216,838

Borrowing costs amounting to nil and ₱7.8 million in 2012 and 2011, respectively, were capitalized as part of construction in-progress. The rate used to determine the amount of borrowing costs eligible for capitalization was 2.45% in 2011, which is the EIR of the specific borrowing (see Note 15).

Pier facilities (included under “Buildings and Improvements”) with a carrying value of ₱195.6 million and ₱243.2 million as at December 31, 2012 and 2011, respectively, were mortgaged as collateral for the long-term debt of RTN mentioned in Note 15.

On October 3, 2011, an insurgency attack occurred in the Taganito minesite, under TMC, where certain equipment were lost and damaged. The net book value of the lost and damaged property and equipment amounted to ₱200.4 million (see Note 29).
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 2012, 2011 and 2010 (see Note 30).

10. Investment Properties

	2012	2011
Cost:		
Balances at January 1	**₱116,096**	₱104,096
Additions	**26,055**	12,000
Balances at December 31	**142,151**	116,096
Accumulated depreciation:		
Balances at January 1	**62,459**	53,251
Depreciation (see Note 26)	**7,501**	9,208
Balances at December 31	**69,960**	62,459
Net book values	**₱72,191**	₱53,637

Investment properties consist of condominium units rented out as office spaces (see Note 36g). Rental income in 2012, 2011 and 2010 amounted to ₱11.7 million, ₱11.2 million and ₱9.9 million, respectively, included under “Services and others” in the consolidated statements of income. Direct operating expenses in 2012, 2011 and 2010 amounted to ₱6.6 million, ₱11.7 million and ₱8.7 million, respectively, were included under the “General and administrative expenses”.

The estimated fair value of investment properties, excluding the land located in Surigao City, amounted to ₱234.8 million and ₱162.3 million as at December 31, 2012 and 2011, respectively. The fair value is determined using the approximate current selling price of the same type of building in Makati Central Business District.

Additions to investment properties in 2012 and 2011 include the acquisition of parcels of land located in Surigao City which is intended for leasing to THNC in the future. The fair values of the parcels of land approximate its carrying value as at December 31, 2012 and 2011.

11. **Investment in an Associate**

The Parent Company, together with SMM and Mitsui Co., Ltd., signed a Shareholders’ Agreement on September 15, 2010, dividing the ownership of THNC, into twenty two point five percent (22.5%), sixty two point five 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, once operational, consist of the manufacture and export of nickel/cobalt mixed sulfide. THNC is currently undertaking construction and has not yet started commercial operations as at December 31, 2012.

The following are the summarized financial information of THNC as at December 31, 2012 and 2011. THNC’s financial statements are stated in US$ and translated at the closing rate of US$1 = ₱41.05 and US$1 = ₱43.84 as at December 31, 2012 and 2011, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱42.24 and US$1 = ₱43.31 for the statement of income accounts in 2012 and 2011, respectively.

	2012	2011
Current assets	**₱1,735,206**	₱1,956,888
Noncurrent assets	**57,021,709**	47,726,327
Current liabilities	**566,681**	7,967,425
Noncurrent liabilities	**40,930,006**	22,753,616
Net Assets	**₱17,260,228**	₱18,962,174

	2012	2011
Income	**₱107,944**	₱47,115
Expenses	**(617,450)**	(919,049)
Net loss	**(₱509,506)**	(₱871,934)

Movements in the investment in an associate follow:

	2012	2011
Acquisition cost	**₱4,443,075**	₱4,443,075
Accumulated equity in net earnings:		
Balances at beginning of year	**(202,597)**	(6,412)
Equity in net losses for the year	**(114,639)**	(196,185)
	(317,236)	(202,597)
Share in cumulative translation adjustment:		
Balances at beginning of year	**131,389**	133,790
Movement	**(268,299)**	(2,401)
	(136,910)	131,389
Balances as at December 31	**₱3,988,929**	₱4,371,867

The balance of investment in an associate includes goodwill of ₱105.4 million as at December 31, 2012 and 2011, while the share in cumulative translation adjustment of an associate is gross of deferred income tax liability amounting to nil and ₱13.1 million, respectively (see Note 33).

12. **Long-term Stock Pile 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 (see Note 30). The fair value of the inventory as at the date of acquisition amounted to ₱2,036.7 million (see Note 30).

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 stock pile. The amounts of ₱133.0 million, ₱143.2 million and ₱162.2 million were charged to cost of sales in 2012, 2011 and 2010, respectively (see Note 20).

A portion amounting to ₱139.1 million and ₱180.4 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 December 31, 2012 and 2011, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱1,266.0 million and ₱1,357.7 million as at December 31, 2012 and 2011, respectively.

13. **Other Noncurrent Assets**

	2012	2011
Input tax - net of current portion	**₱409,378**	₱284,100
Advances to claimowners (see Note 36e)	**218,155**	231,937
Deferred mine exploration costs (see Note 30)	**142,392**	118,348
MRF	**134,288**	32,761
Cash held in escrow (see Note 4)	**64,228**	125,598
Pension asset (see Note 32)	**38,566**	3,873
Others	**43,968**	24,842
	1,050,975	821,459
Less allowance for impairment losses	**16,490**	93,553
	₱1,034,485	₱727,906

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).

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.

Deferred mine exploration costs include mining rights of ₱32.2 million as at December 31, 2012 and 2011 (see Note 30). Investing cash flow arising from deferred mine exploration costs amounted to ₱21.0 million and ₱28.8 million as at December 31, 2012 and 2011, respectively.

Movements of allowance for impairment losses in 2012 and 2011 follow:

2012	**Advances to claimowners**	**Deferred mine exploration costs**	**Total**
Balances at January 1	**₱21,400**	**₱72,153**	**₱93,553**
Write-off	**(4,910)**	**(72,153)**	**(77,063)**
Balances at December 31	**₱16,490**	**₱–**	**₱16,490**

2011	Advances to claimowners	Deferred mine exploration costs	Total
Balances at January 1	₱–	₱10,300	₱10,300
Provisions (see Note 29)	21,400	61,853	83,253
Balances at December 31	₱21,400	₱72,153	₱93,553

14. Trade and Other Payables

	2012	2011
Trade	**₱351,881**	₱330,361
Accrued expenses	**259,292**	728,726
Excise tax and royalties	**114,591**	76,412
Withholding taxes	**39,014**	44,519
Unearned rent income	**8,677**	–
Others	**90,560**	58,083
	₱864,015	₱1,238,101

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. 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, royalties and rental which are usual in the business operations of the Group.

The Group has US$-denominated trade and other payables amounting to ₱50.5 million and ₱39.7 million as at December 31, 2012 and 2011, respectively (see Note 34).

15. Long-term Debt

	2012	2011
TMC	**₱1,328,994**	₱1,496,040
RTN	**210,295**	272,413
	1,539,289	1,768,453
Less current portion:		
TMC	**71,838**	76,720
RTN	**44,781**	47,825
	116,619	124,545
Noncurrent portion	**₱1,422,670**	₱1,643,908

<u>TMC Loan</u>
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. The loan shall be drawn down in one or multiple times by July 31, 2011. As at December 31, 2011, TMC's total loan drawn down amounted to $34.1 million, with peso equivalent of ₱1,496.0 million, respectively.

Starting 2012, the interest on the loan is payable semi-annually on 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, 2012 and 2011, TMC is in compliance with the restrictions.

Interest expense in 2012 and 2011 amounted to ₱38.1 million and ₱27.6 million, respectively. Borrowing cost in 2012 and 2011 amounting to nil and ₱7.8 million, respectively, was capitalized as part of the cost of construction in-progress (see Note 9). In March 2011, TMC completed the construction of Pier Facilities, thus, no borrowing costs were recognized starting March 2011.

<u>RTN Loan</u>
On November 25, 2002, RTN entered into an Omnibus Agreement with Sumitomo Metal Mining Co., Ltd. (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 (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, 2012 and 2011, RTN is in compliance with the restrictions.

Interest expense amounted to ₱6.5 million, ₱7.3 million and ₱10.9 million in 2012, 2011 and 2010, respectively (see Note 28).

16. **Provision for Mine Rehabilitation and Decommissioning**

	2012	2011
Balance at January 1	**₱61,726**	₱55,419
Effect of change in estimate	**57,257**	(4,048)
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 28)	**13,539**	10,355
Balance at December 31	**₱132,522**	₱61,726

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 ₱57.3 million in 2012 and a reduction of ₱4.0 million in 2011 (see Note 9).

17. **Equity**

Capital Stock

The capital structure of the Parent Company as at December 31, 2012 and 2011 is as follows:

	2012	2011
Common Stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares in 2012 and 1,585,600,000 shares in 2011		
Issued - 2,013,476,263 shares in 2012 and 1,339,831,828 shares in 2011	**₱1,006,738**	₱669,916
Preferred Stock - ₱0.01 par value		
Authorized - 720,000,000 shares in 2012 and 2011		
Issued - 720,000,000 shares in 2012 and 2011	**7,200**	7,200
Total	**₱1,013,938**	₱677,116

Movements in common stock follow:

	Number of Shares	Total
Balances at December 31, 2011	1,339,831,828	₱669,916
Declaration of stock dividends	671,158,752	335,579
Exercise of stock options	2,485,683	1,243
Balances at December 31, 2012	2,013,476,263	₱1,006,738

Authorized Capital Stock and Stock Dividends
On September 20, 2010 and June 16, 2010, the Company's BOD authorized and approved the following resolutions:

a. Increase in authorized capital stock from ₱500.0 million to ₱800.0 million.
b. Creation, from out of the increased authorized capital stock, of 720.0 million preferred shares with a par value of ₱0.01 per share. Preferred share is voting, non-participating but with a fixed cumulative dividend rate of seven percent (7%) per annum.
c. Reduction of the par value of all common stock from ₱1.00 to ₱0.50 per share to effectuate a two-for-one stock split of its shares. The split will result to an additional 412.32 million common shares of stock outstanding.
d. Declaration of stock dividends amounting to ₱75.0 million to existing stockholders of record as at June 15, 2010 to support the increase in its authorized capital stock. On the same date, the stock dividend declaration was approved by the Company's stockholders. The stock dividends correspond to 150.0 million common shares at the issue price equivalent to the reduced par value of ₱0.50 per share.

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 12.0 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 following resolutions:

a. Increase in authorized capital stock from ₱800.0 million to ₱2,139.7 million.
b. Declaration of stock dividends amounting to ₱335.6 million to existing 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.

Issued Capital Stock
The IPO of the Company's shares with an offer price of ₱15.00 per share, which is equivalent to ₱9 per shares after the stock dividends, resulted to the issuance of 217,183,818 common shares and reissuance of 132,991,182 shares held in treasury shares.

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

- SMMPHC subscribed to 13,169,982 common shares of the Company for a consideration of ₱206.8 million.

- The Company's President subscribed to 1,855,000 common shares of the Company for a consideration of ₱26.9 million.

- NAHI subscribed to 720,000,000 preferred shares of the Company for a consideration of ₱7.2 million.

As at December 31, 2012 and 2011, the Parent Company has forty one (41) and twenty-eight (28) stockholders, respectively.

As at December 31, 2012, a total of 657,060,167 or 33% of the outstanding common shares of the company are registered in the name of thirty-nine (39) shareholders, while the balance of 1,356,416,096 common shares or 67% are lodged with the Philippine Central Depository, Inc.

Dividends

On March 28, 2012, the Company's BOD 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 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 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.

On August 13, 2010, the Parent Company's BOD declared cash dividends amounting to US$70.0 million, equivalent to ₱3,076.5 million or ₱3.16 per share to stockholders of record as at August 31, 2010. The dividends were paid on November 25, 2010.

Treasury Shares

As at December 31, 2009, the Company held 133.0 million shares with total cost of ₱1,822.0 million, which were reissued as part of the shares sold through IPO in 2010.

18. Executive Stock Option Plan

On June 16, 2010, the BOD and stockholders of the Parent Company approved the 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.
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 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.

Cost of share-based payments in 2012 and 2011 amounted to ₱2.8 million and ₱63.2 million, respectively (see Note 25).

Except for the effect of stock dividends, there have been no modifications or cancellations in 2012 and 2011.

The following table illustrates the number of, and movements in, stock options:

	2012	2011	2010
Outstanding at beginning of year	**11,503,912**	11,503,912	–
Exercised	**(2,485,683)**	–	–
Forfeited	**(450,000)**	–	–
Granted	**746,088**	–	11,503,912
Outstanding at end of year	**9,314,317**	11,503,912	11,503,912
Exercisable at end of year	**3,514,317**	3,000,000	–

As of December 31, 2012, there were 200,000 shares which were not yet assigned to any optionee.

As discussed in Note 37, the SEC approved the exemption from registration of additional 4,457,156 common shares on March 19, 2013, which shall form part of the ESOP.

The weighted average stock price at the date of exercise of the options in 2012 was ₱28.16, which is equivalent to ₱18.77 per share after the effect of stock dividends.

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

	2012	2011
Balances at beginning of year	**₱64,308**	₱1,101
Cost of share-based payment recognized as capital upon exercise	**(9,603)**	–
Stock option expense (see Note 25)	**2,759**	63,207
Movements during the year	**(6,844)**	63,207
Balances at end of year	**₱57,464**	₱64,308

The weighted average remaining contractual life of options outstanding is one and a half (1.5) years and two (2) years as at December 31, 2012 and 2011, respectively.

In 2011 and 2010, the number of shares was adjusted for the effect of the fifty percent (50%) stock dividends (see Note 17).

19. Earnings Per Share

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

	2012	2011	2010
Net income attributable to equity holders of the parent	**₱2,221,316**	₱3,536,474	₱1,546,889
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**2,220,812**	3,535,970	1,546,385
Dividends on dilutive potential ordinary shares	**474**	–	–
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱2,220,338**	₱3,535,970	₱1,546,385
Weighted average number of common shares for basic EPS	**2,012,662,583**	2,009,747,742	1,555,125,870
Effect of dilution from share options	**8,264,996**	7,575,747	–
Weighted average number of common shares adjusted for the effect of dilution	**2,020,927,579**	2,017,323,489	1,555,125,870
Basic EPS	**₱1.10**	₱1.76	₱0.99
Diluted EPS	**₱1.10**	₱1.75	₱0.99

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

20. Cost of Sales

	2012	2011	2010
Production overhead	**₱1,980,314**	₱1,594,701	₱1,060,868
Outside services	**1,201,027**	931,168	767,094
Personnel costs (see Note 25)	**614,390**	626,309	521,126
Depreciation and depletion (see Note 26)	**614,940**	423,621	389,699
Long-term stockpile inventory (see Note 12)	**132,997**	143,184	162,201
	4,543,668	3,718,983	2,900,988
Net changes in beneficiated nickel ore and limestone ore	**(84,679)**	(369,293)	161,040
	₱4,458,989	₱3,349,690	₱3,062,028

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

	2012	2011	2010
Depreciation and depletion (see Note 26)	**₱147,968**	₱108,842	₱17,711
Equipment operating cost	**82,891**	65,027	31,845
Outside services	**44,324**	41,103	36,211
Personnel costs (see Note 25)	**36,869**	35,942	35,984
Overhead	**22,037**	28,033	22,285
	₱334,089	₱278,947	₱144,036

Equipment operating cost includes interest expense amounting to ₱38.1 million, ₱27.6 million and nil in 2012, 2011 and 2010, respectively.

22. Shipping and Loading Costs

	2012	2011	2010
Contract fees	**₱858,758**	₱754,831	₱511,379
Supplies and fuel, oil and lubricants	**264,820**	225,120	108,314
Depreciation and depletion (see Note 26)	**76,427**	66,453	49,145
Personnel costs (see Note 25)	**61,865**	81,428	54,056
Other services and fees	**155,849**	161,492	132,556
	₱1,417,719	₱1,289,324	₱855,450

23. Excise Taxes and Royalties

	2012	2011	2010
Royalties (see Note 36e)	**₱485,072**	₱491,656	₱361,722
Excise taxes (see Note 36e)	**222,865**	244,606	161,486
	₱707,937	₱736,262	₱523,208

24. General and Administrative Expenses

	2012	2011	2010
Personnel costs (see Note 25)	**₱186,402**	₱278,767	₱220,385
Depreciation (see Note 26)	**85,091**	81,711	55,040
Guarantee service fee (see Notes 31b and 36f)	**83,987**	26,636	2,241
Taxes and licenses	**66,199**	32,398	21,125
Outside services	**61,360**	47,437	88,851
Communications, light and water	**22,834**	10,902	11,159
Transportation and travel	**18,257**	20,260	16,781
Entertainment, amusement and recreation	**13,721**	15,008	22,495
Repairs and maintenance	**8,661**	8,417	3,187
Others	**81,438**	85,739	34,468
	₱627,950	₱607,275	₱475,732

25. Personnel Costs

	2012	2011	2010
Salaries, wages and employee benefits	**₱877,541**	₱887,519	₱779,059
Pension cost (see Note 32)	**19,226**	71,720	51,391
Cost of share-based payment plan (see Note 18)	**2,759**	63,207	1,101
	₱899,526	₱1,022,446	₱831,551

The amounts of personnel costs are distributed as follows:

	2012	2011	2010
Cost of sales (see Note 20)	**₱614,390**	₱626,309	₱521,126
General and administrative (see Note 24)	**186,402**	278,767	220,385
Shipping and loading costs (see Note 22)	**61,865**	81,428	54,056
Cost of services (see Note 21)	**36,869**	35,942	35,984
	₱899,526	₱1,022,446	₱831,551

26. Depreciation and Depletion

	2012	2011	2010
Property and equipment (see Note 9)	**₱974,382**	₱724,613	₱553,931
Investment properties (see Note 10)	**7,501**	9,208	9,208
	₱981,883	₱733,821	₱563,139

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

	2012	2011	2010
Cost of sales (see Note 20)	**₱614,940**	₱423,621	₱389,699
Cost of services (see Note 21)	**147,968**	108,842	17,711
General and administrative (see Note 24)	**85,091**	81,711	55,040
Shipping and loading costs (see Note 22)	**76,427**	66,453	49,145
Others	**57,457**	53,194	51,544
	₱981,883	₱733,821	₱563,139

27. Finance Income

	2012	2011	2010
Interest income (see Notes 4 and 7)	**₱226,414**	₱208,436	₱128,758
Gain on:			
Sale of AFS financial assets (see Note 7)	**6,490**	–	–
Sale of investment in funds	**2,136**	–	–
Changes in fair value of financial assets at FVPL	**–**	–	2,010
	₱235,040	₱208,436	₱130,768

28. Finance Expense

	2012	2011	2010
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**₱13,539**	₱10,355	₱9,217
Interest expense (see Note 15)	**6,489**	7,346	10,865
Provision for impairment losses on trade and other receivables (see Note 5)	**811**	3,962	4,651
Loss on:			
Sale of AFS financial assets (see Note 7)	**–**	18,316	9,520
Derivative transactions - net	**–**	–	46,987
	₱20,839	₱39,979	₱81,240

29. **Other Income (Charges)** - net

	2012	2011	2010
Dividend income (see Note 7)	**₱192,720**	₱436,369	₱120,246
Foreign exchange gains (losses) - net	**(123,466)**	39,695	(482,073)
Despatch (demurrage)	**70,567**	(63,219)	14,055
Other services	**45,151**	10,095	61,530
Issuance of fuel, oil and lubricants	**22,511**	12,804	6,796
Special projects	**7,475**	7,432	4,997
Rentals and accommodations	**4,178**	4,296	13,744
Gain (loss) on:			
Reversal of long-outstanding payable	**15,960**	–	74,071
Sale of property and equipment	**1,369**	(2,896)	–
Long-term stock pile inventory write-up	**–**	573,090	–
Casualty (see Note 9)	**–**	(239,459)	–
Bargain purchase (see Note 30)	**–**	–	80,716
Reversals of allowance for (provisions for):			
Impairment of deferred mine and exploration costs (see Note 13)	**–**	(61,853)	–
Impairment of advances to claimowners (see Note 13)	**–**	(21,400)	–
Inventory losses (see Note 6)	**–**	(19,141)	56,330
Input VAT (see Note 13)	**–**	(914)	–
Materials handling and issuance	–	–	33,691
Others - net	**92,475**	70,301	15,904
	₱328,940	₱745,200	₱7

Others include pension income recognized by a subsidiary determined by the Company'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:

	2012	2011	2010
Realized foreign exchange gains (losses)	**(₱142,701)**	₱12,060	(₱413,291)
Unrealized foreign exchange gains (losses) on:			
Cash and cash equivalents	**(54,034)**	8,358	(60,688)
Trade and other receivables	**(22,581)**	11,126	5,016
AFS financial assets	**(2,769)**	17,237	(8,928)
Trade and other payables	**(7,174)**	(7,427)	(762)
Long-term debt	**105,793**	(1,659)	(3,420)
	(₱123,466)	₱39,695	(₱482,073)

30. **Business Combination**

Acquisition of LCSLC
In April 2010, HMC acquired one hundred percent (100%) of the voting shares of LCSLC, a company registered in the Philippines, primarily engaged in the chartering out of LCT and providing complete marine services. HMC has acquired LCSLC to provide charter services for the Group's nickel operations.

The fair values and carrying values of LCSLC's assets and liabilities at acquisition date are as follows:

	Fair Values (As restated)	Carrying Values
Assets		
Cash	₱50	₱50
Trade and other receivables - net	3,088	3,088
Inventories	629	629
Other current assets	15,516	15,516
Property and equipment - net	180,000	38,229
Deferred income tax assets	4,938	4,938
Total Assets	204,221	62,450
Liabilities		
Trade and other payables	45,974	45,974
Deferred income tax liability	42,531	–
Total Liabilities	88,505	45,974
Net Assets	115,716	₱16,476
% acquired	100%	
Share on fair value of LCSLC net assets	115,716	
Acquisition cost	35,000	
Gain on bargain purchase (see Note 29)	₱80,716	

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱50
Cash paid	(35,000)
Net cash outflow	(₱34,950)

From acquisition date to December 31, 2010, LCSLC contributed revenues and net income amounting to ₱38.7 million and ₱6.0 million, respectively, to the consolidated statements of income. If the combination had taken place at the beginning of 2010, total revenue would have been ₱8,392.0 million and net income for the Group would have been ₱2,312.1 million.

Acquisition of CExCI
In August 2010, the Parent Company entered into a Share and Asset Purchase Agreement (the Agreement) with Anglo American Exploration (Philippines) BV (AAEPB) and Anglo American Exploration (Philippines), Inc. (AAEPI) where the Parent Company agreed to buy AAEPB's direct and indirect rights, interest and obligations in CExCI, a company incorporated in the Philippines to primarily engage in the business of large-scale exploration, development and utilization of mineral resources.

On November 15, 2010, the Parent Company, AAEPB and AAEPI executed deeds of sale of shares and assets to complete the purchase. As a result of the purchase, the Parent Company acquired 128,000 common shares of CExCI representing one hundred percent (100%) of its outstanding shares for a total consideration of $750,000 (₱32.2 million) recognized as mining rights for the deferred mine exploration costs of CExCI with the provisional fair value of nil and a carrying value of ₱166.7 million as at November 15, 2010.

From acquisition date to December 31, 2010, CExCI contributed revenues and net loss amounting to nil and ₱0.3 million, respectively, to the consolidated statements of income. If the combination had taken place at the beginning of the year, total revenues would have been ₱8,336.0 million and net income for the Group would have been ₱2,324.7 million.

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 below are the Group's transactions with related parties in 2012, 2011 and 2010, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2012 and 2011:

	Amount			Trade and Other Receivables (see Note 5)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2012	2011	2010	**2012**	2011	**2012**	2011	**2012**	2011		
Stockholder											
Pacific Metals Co., Ltd. (PAMCO)											
Sale of ore and services	**₱2,086,151**	₱2,061,853	₱2,620,420	**₱25,576**	₱83,147	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; non-interest bearing	Unsecured; no impairment; no guarantee
Short-term advances	**–**	–	–	**–**	–	**–**	75	**–**	–	Collectible upon billing; non-interest bearing	Unsecured; no impairment; no guarantee
SMM											
Sale of ore	**125,687**	407,300	58,130	**–**	–	**–**	–	**–**	–	Collectible upon billing; non-interest bearing	Unsecured; no impairment; no guarantee
Additional loan facility	**–**	–	–	**–**	–	**–**	–	**210,295**	272,413	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; no impairment; with guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2012	2011	2010	**2012**	2011	**2012**	2011	**2012**	2011		
Affiliate											
CBNC											
Sale of ore and services	**₱1,695,652**	₱2,286,240	₱1,972,658	**₱276,394**	₱360,888	**₱–**	₱–	**₱–**	₱–	Seven (7) to thirty (30) days; non-interest bearing	Unsecured; no impairment; no guarantee
Associate											
THNC											
Sale of services	**124,702**	110,045	–	**28,920**	32,083	**–**	–	**–**	–	Collectible upon billing; non-interest bearing	Unsecured; no impairment; no guarantee
Short-term advances	**21,446**	12,492	–	**–**	–	**6,611**	5,360	**–**	–	Collectible upon billing; non-interest bearing	Unsecured; no impairment; no guarantee
Additional loan facility	**–**	–	–	**–**	–	**–**	–	**1,328,994**	1,496,040	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; no impairment; with guarantee
Totals				**₱330,890**	₱476,118	**₱6,611**	₱5,435	**₱1,539,289**	₱1,768,453		

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, 2012, 2011 and 2010 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 36), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken each end of reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO

CMC and TMC supply saprolite ore to PAMCO 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. PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2012 and 2011 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of trade 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 2013, 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

RTN, TMC and CMC supply saprolite ore to SMM under renewable annual agreements. SMM has a twenty five point sixty seven percent (25.67%) ownership interest in the Company.

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 High Pressure Acid Leaching (HPAL) facility until the earlier of the cessation of operations of the facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPAL facility. Receivable from CBNC is included as part of “Trade and other receivables” and is expected to be collected subsequently.

Service Agreements with CBNC

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

b. Stockholder Agreements

THNC Stockholder Agreement

On September 15, 2010, the Parent Company together with SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC loans obligation in accordance with the financial requirements of THNC in proportion to their existing shareholding ratio. The Parent Company owns twenty two point five percent (22.5%) of THNC’s outstanding capital stock.

In a separate agreement dated September 15, 2010, SMM, which owns 62.5% of THNC, has agreed to substitute for NAC's obligation to make loans to or guarantee the repayment of THNC loans obligation. In consideration, the Parent Company shall pay SMM an annual guarantee service fee of one percent (1%) of the average of the outstanding balance of THNC loans obligation (see Note 36f).

The guarantee service fee amounting to ₱82.7 million in 2012, ₱25.0 million in 2011 and nil in 2010 is recorded as part of "General and administrative expenses" in the consolidated statements of income (see Note 24).

CBNC Stockholder Agreement
On July 1, 2002, RTN together with the other stockholders of CBNC agreed to make loans to CBNC or guarantee the repayment of CBNC loans obligation in accordance with the financial requirements of CBNC in proportion to their shareholding ratio. RTN owns ten percent (10%) of CBNC's outstanding capital stock.

In a separate agreement dated October 22, 2002, SMM, which owns fifty-four percent (54%) of CBNC, has agreed to substitute for RTN's obligation to make loans to or guarantee the repayment of CBNC loans obligation. In consideration, RTN shall pay SMM an annual guarantee service fee of one percent (1%) of the outstanding CBNC loans obligation (see Note 36f).

The guarantee service fee amounting to ₱1.3 million, ₱1.7 million and ₱2.2 million in 2012, 2011 and 2010, respectively, is recorded as part of "General and administrative expenses" in the consolidated statements of income (see Note 24).

c. Other Agreements

Option Agreement with THNC
In December 2010, TMC and THNC entered into an Option Agreement wherein THNC signified its intention to use the parcels of land located within the MPSA area. The said parcels of lands will be used by THNC in connection with its project being constructed and located in the Taganito Special Economic Zone (TSEZ). The lease agreement is yet to be finalized and to reserve the exclusive right to use the parcels of land that will be subject of the lease, THNC shall pay a fee, the amount of which shall be determined by TMC, which shall constitute as an option fee to give THNC the irrevocable right to be the preferred lessee of the said parcels of land. The option fee will be considered as an advance rental which shall be deducted from the annual rental fees based on TMC's discretion, with proper and due notice given to THNC. Total option fee paid by THNC amounted to ₱84.2 million classified under "Deferred income" in the consolidated statements of financial position as at December 31, 2012 and 2011.

The Option Agreement shall terminate upon finalization of the lease agreement. As at December 31, 2012, the lease agreement has yet to be finalized.

Other Receivables from THNC
Other receivables from THNC amounting to ₱28.9 million and ₱32.1 million as at December 31, 2012 and 2011, respectively, included in "Trade and other receivables" pertain to reimbursable costs and expenses advanced by the Company to the related party (see Note 5).

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's long-term debt was incurred for the infrastructure projects to support the development of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jetty bollard and other pier facilities (see Note 15).

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 2012, 2011 and 2010 amounted to about ₱130.2 million, ₱161.2 million and ₱165.7 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱5.5 million in 2012, ₱4.1 million in 2011 and ₱1.3 million in 2010, respectively. Cost of share-based payments of key management personnel in 2012, 2011 and 2010 amounted to ₱2.8 million, ₱63.2 million and ₱1.1 million, respectively.

32. Pension Costs

The Group has two (2) funded and two (2) unfunded, noncontributory defined benefit retirement plans covering substantially all of its employees.

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:

Net Pension Costs (see Note 25)

2012	**RTN**	**TMC**	**CMC**	**HMC**	**Total**
Current service cost	**₱24,985**	**₱13,783**	**₱2,495**	**₱1,979**	**₱43,242**
Interest cost	**24,213**	**9,150**	**1,237**	**671**	**35,271**
Past service cost	**410**	**–**	**–**	**–**	**410**
Expected return on plan assets	**(22,413)**	**(3,965)**	**–**	**–**	**(26,378)**
Actuarial losses (gains)	**(35,358)**	**2,039**	**–**	**–**	**(33,319)**
Expense (income) recognized during the year	**(₱8,164)**	**₱21,007**	**₱3,732**	**₱2,651**	**₱19,226**

2011	RTN	TMC	CMC	HMC	Total
Current service cost	₱23,577	₱9,572	₱2,960	₱2,107	₱38,216
Interest cost	26,535	11,702	1,545	843	40,625
Past service cost	15,789	–	–	–	15,789
Expected return on plan assets	(20,845)	(4,200)	–	–	(25,045)
Actuarial losses	787	1,348	–	–	2,135
Expense recognized during the year	₱45,843	₱18,422	₱4,505	₱2,950	₱71,720

2010	RTN	TMC	CMC	HMC	Total
Current service cost	₱15,696	₱6,461	₱2,769	₱1,855	₱26,781
Interest cost	29,638	8,107	1,990	1,039	40,774
Past service cost	–	961	–	–	961
Expected return on plan assets	(13,340)	(4,063)	–	–	(17,403)
Actuarial losses (gains)	449	–	(437)	266	278
Expense recognized during the year	₱32,444	₱11,465	₱4,322	₱3,160	₱51,391

Pension Asset (included in Other noncurrent assets)

	2012	2011
Fair value of plan assets	**₱367,092**	₱320,181
Present value of defined benefit obligation	**302,924**	349,890
Unfunded obligation	**64,168**	(29,709)
Unrecognized past service costs	**2,043**	2,452
Unrecognized actuarial gains (losses)	**(27,645)**	31,130
Net pension asset (see Note 13)	**₱38,566**	₱3,873

Pension Liability

2012	**TMC**	**CMC**	**HMC**	**Total**
Present value of obligation	**₱171,213**	**₱24,986**	**₱9,794**	**₱205,993**
Fair value of plan assets	**69,460**	**–**	**–**	**69,460**
Unfunded obligation	**101,753**	**24,986**	**9,794**	**136,533**
Unrecognized actuarial losses (gains)	**48,961**	**(665)**	**(2,560)**	**45,736**
Net pension liability	**₱52,792**	**₱25,651**	**₱12,354**	**₱90,797**

2011	TMC	CMC	HMC	Total
Present value of obligation	₱153,775	₱20,614	₱10,847	₱185,237
Fair value of plan assets	57,879	–	–	57,879
Unfunded obligation	95,896	20,614	10,847	127,358
Unrecognized actuarial losses (gains)	54,111	(2,023)	337	52,426
Net pension liability	₱41,785	₱22,637	₱10,510	₱74,932

Changes in the Present Value of Defined Benefit Obligation

2012	**RTN**	**TMC**	**CMC**	**HMC**	**Total**
Balances at January 1	**₱349,890**	**₱153,775**	**₱20,614**	**₱10,847**	**₱535,126**
Current service cost	**24,985**	**13,783**	**2,495**	**1,979**	**43,242**
Interest cost	**24,213**	**9,150**	**1,237**	**671**	**35,271**
Actuarial losses (gains)	**(60,053)**	**(1,723)**	**1,355**	**(2,895)**	**(63,316)**
Benefits paid	**(36,111)**	**(3,772)**	**(715)**	**(808)**	**(41,406)**
Balances at December 31	**₱302,924**	**₱171,213**	**₱24,986**	**₱9,794**	**₱508,917**

2011	RTN	TMC	CMC	HMC	Total
Balances at January 1	₱332,105	₱126,444	₱19,726	₱10,482	₱488,757
Current service cost	23,577	9,572	2,960	2,107	38,216
Interest cost	26,535	11,702	1,545	843	40,625
Actuarial losses (gains)	(10,364)	18,395	–	(2,585)	5,446
Past service cost	18,241	–	–	–	18,241
Benefits paid	(40,204)	(12,338)	(3,616)	–	(56,158)
Balances at December 31	₱349,890	₱153,775	₱20,615	₱10,847	₱535,127

2010	RTN	TMC	CMC	HMC	Total
Balances at January 1	₱288,866	₱79,014	₱19,210	₱9,595	₱396,685
Current service cost	15,696	6,461	2,769	1,855	26,781
Interest cost	29,638	8,107	1,990	1,039	40,774
Actuarial losses	36,933	–	3,186	2,644	42,763
Experience adjustments	–	34,904	–	–	34,904
Settlement or curtailment losses	–	–	122	102	224
Benefits paid	(39,028)	(2,042)	(7,551)	(4,754)	(53,375)
Balances at December 31	₱332,105	₱126,444	₱19,726	₱10,481	₱488,756

Changes in the Fair Value of Plan Assets

2012	**RTN**	**TMC**	**Total**
Balances at January 1	**₱320,181**	**₱57,879**	**₱378,060**
Contributions	**26,529**	**10,000**	**36,529**
Expected return on plan assets	**22,413**	**3,965**	**26,378**
Actuarial gains (losses)	**34,080**	**1,388**	**35,468**
Benefits paid	**(36,111)**	**(3,772)**	**(39,883)**
Balances at December 31	**₱367,092**	**₱69,460**	**₱436,552**
Actual return on plan assets	**₱56,493**	**₱5,353**	**₱61,846**

2011	RTN	TMC	Total
Balances at January 1	₱302,904	₱66,172	₱369,076
Contributions	29,967	–	29,967
Expected return on plan assets	20,845	4,200	25,045
Actuarial gains (losses)	6,669	(155)	6,514
Benefits paid	(40,204)	(12,338)	(52,542)
Balances at December 31	₱320,181	₱57,879	₱378,060
Actual return on plan assets	₱27,514	₱4,045	₱31,559

2010	RTN	TMC	Total
Balances at January 1	₱268,520	₱55,071	₱323,591
Contributions	35,578	8,000	43,578
Expected return on plan assets	13,340	4,063	17,403
Actuarial gains	24,496	1,080	25,576
Benefits paid	(39,028)	(2,042)	(41,070)
Balances at December 31	₱302,906	₱66,172	₱369,078
Actual return on plan assets	₱37,836	₱5,143	₱42,979

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

2012	**RTN**	**TMC**
Fixed income securities	**72.3%**	**57.2%**
Investments in shares of stock	**23.3%**	**30.2%**
Others	**4.4%**	**12.6%**
	100.00%	**100.00%**

2011	RTN	TMC
Fixed income securities	80.3%	52.9%
Investments in shares of stock	19.7%	29.3%
Others	–	17.8%
	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:

2012	**RTN**	**TMC**	**HMC**	**CMC**
Discount rate	**6.77%**	**5.95%**	**6.62%**	**6.32%**
Expected rate of return	**6.00%**	**6.50%**	**–**	**–**
Salary increase rate	**5.00%**	**10.00%**	**5.00%**	**5.00%**

2011	RTN	TMC	HMC	CMC
Discount rate	6.92%	7.57%	8.04%	6.00%
Expected rate of return	7.00%	7.00%	–	–
Salary increase rate	8.00%	10.00%	5.00%	5.00%

2010	RTN	TMC	HMC	CMC
Discount rate	8.0%	10.3%	10.8%	7.8%
Expected rate of return	7.0%	7.0%	–	–
Salary increase rate	10.0%	10.0%	10.0%	8.0%

Amounts for the current annual and previous annual four periods are as follows:

	2012	2011	2010	2009	2008
Plan assets	**₱436,552**	₱378,060	₱369,078	₱323,591	₱268,437
Defined benefit obligation	**(508,917)**	(535,127)	(488,756)	(396,685)	(320,864)
Net pension liability	**(₱72,365)**	(₱157,067)	(₱72,365)	(₱73,094)	(₱52,427)

Experience adjustments:	**2012**	2011	2010	2009	2008
Gain (loss) on plan assets	**₱35,469**	₱6,514	₱25,576	₱24,437	(₱38,599)
Loss (gain) on plan liabilities	**24,677**	(12,008)	(11,172)	5,261	(40,983)

The details of the plan per subsidiary level are as follows:

2012	**RTN**	**TMC**	**CMC**	**HMC**	**Total**
Plan assets	**₱367,092**	**₱69,460**	**₱–**	**₱–**	**₱436,552**
Defined benefit obligation	**(302,924)**	**(171,213)**	**(24,986)**	**(9,794)**	**(508,917)**
Net pension liability	**₱64,168**	**(₱101,753)**	**(₱24,986)**	**(₱9,794)**	**(₱72,365)**
Experience adjustments	**₱54,406**	**₱7,279**	**₱1,356**	**(₱2,895)**	**₱60,146**

2011	RTN	TMC	CMC	HMC	Total
Plan assets	₱320,181	₱57,879	₱–	₱–	₱378,060
Defined benefit obligation	(349,890)	(153,775)	(20,615)	(10,847)	(535,127)
Net pension liability	(₱29,709)	(₱95,896)	(₱20,615)	(₱10,847)	(₱157,067)
Experience adjustments	₱369	₱338	(₱3,616)	(₱2,585)	(₱5,494)

2010	RTN	TMC	CMC	HMC	Total
Plan assets	₱302,906	₱66,172	₱–	₱–	₱369,078
Defined benefit obligation	(332,105)	(126,444)	(19,726)	(10,481)	(488,756)
Net pension liability	(₱29,199)	(₱60,272)	(₱19,726)	(₱10,481)	(₱119,678)
Experience adjustments	₱6,494	₱1,855	₱3,308	₱2,747	₱14,404

2009	RTN	TMC	CMC	HMC	Total
Plan assets	₱268,520	₱55,071	₱–	₱–	₱323,591
Defined benefit obligation	(288,866)	(79,014)	(19,210)	(9,595)	(396,685)
Net pension liability	(₱20,346)	(₱23,943)	(₱19,210)	(₱9,595)	(₱73,094)
Experience adjustments	₱29,117	₱3,732	(₱3,499)	₱348	₱29,698

2008	RTN	TMC	CMC	HMC	Total
Plan assets	₱211,702	₱56,735	₱–	₱–	₱268,437
Defined benefit obligation	(215,941)	(76,126)	(21,644)	(7,153)	(320,864)
Net pension liability	(₱4,239)	(₱19,391)	(₱21,644)	(₱7,153)	(₱52,427)
Experience adjustments	(₱36,595)	(₱37,904)	(₱2,892)	(₱2,191)	(₱79,582)

As at April 5, 2013, the Group has not yet reasonably determined the amount of 2013 contributions to the retirement fund.

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, RTN, TMC and CExCI and MCIT of CMC in 2012, and RCIT of HMC, RTN, TMC, CMC, LCSLC and FEI in 2011 and 2010, as follows:

	2012	2011	2010
HMC	**₱428,994**	₱170,455	₱90,965
RTN	**424,336**	852,466	632,640
TMC	**399,002**	408,179	309,676
CMC	**11,936**	185,053	111,830
CExCI	**2**	–	–

(Forward)

	2012	2011	2010
LCSLC	**₱–**	₱3,596	₱3,441
FEI	**–**	30	12
	₱1,264,270	₱1,619,779	₱1,148,564

The Parent Company, LCSLC and FEI were in gross and net taxable loss positions in 2012.

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

	2012	2011	2010
Income tax at statutory rates	**₱1,162,249**	₱2,145,204	₱980,729
Add (deduct) tax effects of:			
Derecognized deferred income tax assets	**188,912**	–	–
Interest income subjected to final tax	**(63,248)**	(50,651)	(33,881)
Benefit from availment of optional standard deduction (OSD)	**(62,861)**	(376,534)	–
Dividend income exempted from tax	**(57,575)**	(130,911)	(34,439)
Equity in net losses of an associate	**34,392**	58,856	1,924
Non-deductible expenses	**135,314**	39,159	20,911
Movements in deductible temporary differences for which deferred income taxes were recognized	**7,633**	–	11,535
Income tax at effective rates	**₱1,344,816**	₱1,685,123	₱946,779

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

	2012	2011	2010
Deferred income tax assets:			
NOLCO	**₱151,340**	₱214,882	₱188,184
Allowance for:			
Inventory losses	**112,507**	118,528	112,777
Impairment losses on trade and other receivables	**16,301**	67,862	64,250
Impairment of advances to claimowners	**4,947**	6,420	–
Impairment losses on property and equipment and deferred mine exploration costs	**120**	32,426	3,090
Pension liability	**27,482**	22,480	13,788
Provision for mine rehabilitation and decommissioning	**21,232**	17,168	14,964
Valuation gain on AFS financial assets	**(19,975)**	(1,327)	(3,571)
Unrealized foreign exchange losses (gains) - net	**13,628**	(26,436)	14,058
Excess of MCIT over RCIT	**11,936**	–	–
Deferred income	**5,443**	4,208	4,190
Costs of share-based payment plan	**5,129**	27,561	–

(Forward)

	2012	2011	2010
Accrued SDMP costs	**₱4,036**	₱13,385	₱–
Undepleted asset retirement obligation	**(1,876)**	(10)	(10)
Others	**1,077**	(15,654)	2,294
Total	**₱353,327**	₱481,493	₱414,014

	2012	2011	2010
Deferred income tax liabilities:			
Long-term stockpile inventory	**₱421,580**	₱461,479	₱332,507
Asset revaluation surplus	**107,797**	111,366	114,743
Pension asset	**11,570**	1,162	5,925
Unrealized foreign exchange gains	**9,413**	11,177	9,444
Allowance for inventory losses	**(2,565)**	(2,518)	(2,518)
Valuation gain on AFS financial assets	**1,115**	–	–
Provision for mine rehabilitation and decommissioning	**(1,133)**	(742)	(563)
Share in cumulative translation adjustments	**–**	13,139	13,379
Unamortized past service costs	**–**	(3,589)	(3,035)
Others	**(702)**	(405)	(44)
Total	**₱547,075**	₱591,069	₱469,838

All companies, except TMC and RTN, did not avail of OSD in 2012 and 2011.

As at December 31, 2012 and 2011, the Group has temporary differences on NOLCO and excess MCIT amounting to ₱765.8 million and ₱134.3 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 such, the deferred income tax assets previously recognized in 2010 by the Parent Company amounting to ₱188.2 million was no longer recognized in 2012.

As at December 31, 2012 and 2011, the Group, except for FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO
2010	2013	₱747,901
2011	2014	92,053
2012	2015	424,349
		₱1,264,303

As at December 31, 2012 and 2011, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO
2008	2013	₱5,229
2009	2014	238
2011	2016	207
2012	2017	266
		₱5,940

Movements of NOLCO and MCIT follow:

	2012	2011
Balances at January 1	**₱850,595**	₱758,653
Additions	**424,615**	92,260
Expirations	**(4,967)**	(318)
Balances at December 31	**₱1,270,243**	₱850,595

34. Financial Risk Management Objectives and Policies

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, cash held in escrow, MRF and trade and other payables, which arise directly from its operations.

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 financing 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.

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, cash held in escrow and MRF, 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.

Aging Analysis of Financial Assets
The aging analysis of the Group's financial assets as at December 31, 2012 and 2011 are summarized in the following tables:

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:	**628,346**	**309,514**	**43,741**	**981,601**
Trade	238,794	96,899	32,491	368,184
Receivable from CBNC	66,662	209,732	–	276,394
Amounts owed by related parties	6,611	–	–	6,611
Others	316,279	2,883	11,250	330,412
AFS financial assets:	**2,128,038**	**–**	**–**	**2,128,038**
Quoted equity securities	926,908	–	–	926,908
Quoted debt securities	282,227	–	–	282,227
Unquoted equity securities	918,903	–	–	918,903
Other noncurrent assets:	**228,516**	**–**	**–**	**228,516**
Cash held in escrow	64,228	–	–	64,228
MRF	134,288	–	–	134,288
Long-term negotiable instruments	30,000	–	–	30,000
Total	**₱12,247,695**	**₱309,514**	**₱43,741**	**₱12,600,950**

2011				
Cash and cash equivalents:	₱10,347,778	₱–	₱–	₱10,347,778
Cash with banks	1,133,024	–	–	1,133,024
Short-term cash investments	9,214,754	–	–	9,214,754
Trade and other receivables:	738,167	418,126	226,207	1,382,500
Trade	253,469	259,257	223,125	735,851
Receivable from CBNC	204,117	156,771	–	360,888
Amounts owed by related parties	5,435	–	–	5,435
Others	275,146	2,098	3,082	280,326
AFS financial assets:	1,567,820	–	–	1,567,820
Quoted equity securities	331,977	–	–	331,977
Quoted debt securities	381,458	–	–	381,458
Unquoted equity securities	854,385	–	–	854,385
Other noncurrent assets:	158,359	–	–	158,359
Cash held in escrow	125,598	–	–	125,598
MRF	32,761	–	–	32,761
Total	₱12,812,124	₱418,126	₱226,207	₱13,456,457

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 and MRF are placed in various foreign and local banks. The rest are held by various foreign banks having a Standard and Poor's (S&P) 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.

Credit Concentration Risk
The Group has concentration of credit risk on structured notes, managed funds and investment in bonds since these are being managed by one foreign bank. However, the risk is mitigated since the BOD selects foreign banks having an S&P credit rating of at least A to manage the Group's funds.

<u>Liquidity Risk</u>
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, 2012 and 2011 based on contractual undiscounted payments.

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	**₱247,607**	**₱88,950**	**₱14,865**	**₱459**	**₱351,881**
Accrued expenses	**117,429**	**82,174**	**59,450**	**239**	**259,292**
Others	**72,830**	**17,730**	**–**	**–**	**90,560**
Long-term debt					
Principal	**–**	**22,391**	**94,228**	**1,422,670**	**1,539,289**
Interest	**–**	**764**	**28,106**	**662,088**	**690,958**
	₱437,866	**₱212,009**	**₱196,649**	**₱2,085,456**	**₱2,931,980**

2011					
Trade and other payables					
Trade	₱173,064	₱156,838	₱–	₱459	₱330,361
Accrued expenses	326,657	109,892	292,177	–	728,726
Others	27,671	30,259	–	153	58,083
Long-term debt					
Principal	–	23,913	100,633	1,643,908	1,768,454
Interest	–	1,006	35,475	475,900	512,381
	₱527,392	₱321,908	₱428,285	₱2,120,420	₱3,398,005

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, 2012 and 2011.

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 with banks	**₱636,961**	**₱–**	**₱–**	**₱–**	**₱636,961**
Short-term cash investments	**8,625,834**	**–**	**–**	**–**	**8,625,834**
Trade and other receivables					
Trade	**238,794**	**74,857**	**22,042**	**32,491**	**368,184**
Receivable from CBNC	**66,662**	**209,732**	**–**	**–**	**276,394**
Amounts owed by related parties	**6,611**	**–**	**–**	**–**	**6,611**
Others	**316,279**	**2,729**	**154**	**11,250**	**330,412**
AFS financial assets					
Quoted equity securities	**926,908**	**–**	**–**	**–**	**926,908**
Quoted debt securities	**282,227**	**–**	**–**	**–**	**282,227**
Unquoted equity securities	**918,903**	**–**	**–**	**–**	**918,903**
Other noncurrent assets					
Cash held in escrow	**64,228**	**–**	**–**	**–**	**64,228**
MRF	**134,288**	**–**	**–**	**–**	**134,288**
Long-term negotiable instruments	**–**	**–**	**–**	**30,000**	**30,000**
	₱12,217,695	**₱287,318**	**₱22,196**	**₱73,741**	**₱12,600,950**

2011	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash with banks	₱1,133,024	₱–	₱–	₱–	₱1,133,024
Short-term cash investments	9,214,754	–	–	–	9,214,754
Trade and other receivables					
Trade	273,795	152,330	86,601	223,125	735,851
Receivable from CBNC	204,117	85,063	71,708	–	360,888
Amounts owed by related Parties	5,435	–	–	–	5,435
Others	275,817	968	459	3,082	280,326
AFS financial assets					
Quoted equity securities	331,977	–	–	–	331,977
Quoted debt securities	381,458	–	–	–	381,458
Unquoted equity securities	854,385	–	–	–	854,385
Other noncurrent assets					
Cash held in escrow	125,598	–	–	–	125,598
MRF	32,761	–	–	–	32,761
	₱12,833,121	₱238,361	₱158,768	₱226,207	₱13,456,457

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.

Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables, AFS financial assets, trade and other payables and long-term debt.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, AFS financial assets and sales of beneficiated nickel ore in US$. 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, 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, 2012 and 2011 are as follows:

	2012		2011	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$14,956**	**₱613,924**	$81,209	₱3,573,620
Trade and other receivables	**13,449**	**552,075**	20,780	910,987
AFS financial assets - quoted debt security	**10,302**	**422,897**	18,032	790,523
	$38,707	**₱1,588,896**	$120,021	₱5,275,130
Financial liabilities:				
Trade and other payables	**$1,230**	**₱50,503**	$906	₱39,743
Long-term debt	**37,498**	**1,539,289**	40,339	1,768,453
	$38,728	**₱1,589,792**	$41,245	₱1,808,196

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱41.05 and ₱43.84 as at December 31, 2012 and 2011, 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, 2012 and 2011 follows:

Effect on income before income tax:	Change in exchange rates (in ₱)	Sensitivity of income before income tax
2012	Depreciates by 0.72	₱15
	Appreciates by 0.75	(16)
2011	Appreciates by 0.75	(₱59,082)
	Depreciates by 0.70	55,143

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:

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

2011	<1 year	1-5 years	>5 years	Total
Floating rate (LIBOR plus 2% spread) - long-term debt	₱124,545	₱588,548	₱1,055,360	₱1,768,453

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, 2012 and 2011, 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, 2012 and 2011 are as follows:

	Change in interest rate (in basis points)	**Sensitivity to income before income tax**	**Sensitivity to equity**
December 31, 2012			
Long-term debt	+100	**(₱15,393)**	**₱–**
	-100	**15,393**	**–**
AFS financial assets	+100	**–**	**(31,311)**
	-100	**–**	**31,311**
December 31, 2011			
Long-term debt	+100	(₱17,685)	₱–
	-100	17,685	–
AFS financial assets	+100	–	(17,892)
	-100	–	14,013

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 below shows the sensitivity to a reasonably possible change in equity prices on AFS equity instruments as at December 31, 2012 and 2011, 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
2012	**22.23%**	**₱16,182**
	-22.23%	**(16,182)**
2011	19.65%	₱19,376
	-19.65%	(19,376)

The stocks of the AFS financial assets are traded in the following markets: Hang Sheng Index (HSI), Luxembourg Stock Market (LUXX), PSE and Standard &Poor's 500 (SPX).

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 adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

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 tax liabilities - net and pension liability.

The Group considers the following as capital:

	2012	2011
Capital stock	**₱1,013,938**	₱677,116
Additional paid-in capital	**8,117,558**	8,075,641
Net valuation gains on AFS financial assets	**65,199**	20,889
Cost of share based payment plan	**57,464**	64,308
Assets revaluation surplus	**34,012**	34,395
Share in cumulative translation adjustments	**(136,909)**	118,251
Retained earnings	**9,737,447**	8,920,976
Non-controlling interests	**4,712,116**	4,381,233
	₱23,600,825	₱22,292,809

The table below shows the Group's debt-to-equity ratio as at December 31, 2012 and December 31, 2011.

	2012	2011
Total liabilities (a)	**₱3,548,402**	₱4,093,604
Equity (b)	**23,600,825**	22,292,809
Debt-to-equity ratio (a/b)	**0.15:1**	0.18:1

35. **Financial Instruments**

Fair Value Information and Categories of Financial Instruments

Set out below is a comparison by category and class of carrying values and fair values of all the Group's financial instruments that are carried in the consolidated financial statements.

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
FINANCIAL ASSETS				
Loans and Receivables				
Cash and cash equivalents	**₱9,263,451**	₱10,350,592	**₱9,263,451**	₱10,350,592
Cash on hand and with banks	**637,617**	1,135,838	**637,617**	1,135,838
Short-term cash investments	**8,625,834**	9,214,754	**8,625,834**	9,214,754
Trade and other receivables	**937,860**	1,158,293	**937,860**	1,158,293
Trade	**335,748**	512,726	**335,748**	512,726
Receivable from CBNC	**276,394**	360,888	**276,394**	360,888
Amounts owed by related parties	**6,611**	5,435	**6,611**	5,435
Others	**319,107**	279,244	**319,107**	279,244
Other noncurrent assets	**228,516**	158,359	**228,516**	158,359
MRF	**134,288**	32,761	**134,288**	32,761
Cash held in escrow	**64,228**	125,598	**64,228**	125,598
Long-term negotiable instrument	**30,000**	–	**30,000**	–
	10,429,827	11,667,244	**10,429,827**	11,667,244

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
AFS financial assets				
Quoted debt securities	**₱282,227**	₱381,458	**₱282,227**	₱381,458
Quoted equity securities	**926,908**	331,977	**926,908**	331,977
Unquoted equity securities	**918,903**	854,385	**918,903**	854,385
	2,128,038	1,567,820	**2,128,038**	1,567,820
	₱12,557,865	₱13,235,064	**₱12,557,865**	₱13,235,064
FINANCIAL LIABILITIES				
Loans and Borrowings				
Trade and other payables	**₱701,733**	₱1,033,251	**₱701,733**	₱1,033,251
Trade	**351,881**	330,361	**351,881**	330,361
Accrued expenses	**259,292**	728,726	**259,292**	728,726
Others	**90,560**	58,083	**90,560**	58,083
Long-term debt	**1,539,289**	1,768,453	**1,539,289**	1,768,453
	₱2,241,022	₱2,801,704	**₱2,241,022**	₱2,801,704

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates their fair value due to the short-term 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 and MRF
The carrying amount of cash held in escrow and MRF approximate their fair values since they are restricted cash with banks, which earns interest based on prevailing market rates repriced monthly.

AFS Financial Assets
The fair values were determined by reference to market bid quotes as at end of 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 the current rates available for debt with the same maturity profile as at the end of reporting period ranging from two and 33/100 percent (2.33%) to two and 71/100 percent (2.71%) and two and 23/100 percent (2.23%) to two and 75/100 percent (2.75%) as at December 31, 2012 and 2011, respectively.

Fair Value Hierarchy of Financial Instruments
As at December 31, 2012 and 2011, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2012		2011	
	Level 1	**Level 3**	Level 1	Level 3
Financial Assets				
AFS financial assets				
Quoted equity securities	**₱926,908**	**₱–**	₱331,977	₱–
Quoted debt securities	**282,227**	**–**	381,458	–
Unquoted equity securities	**–**	**918,903**	–	854,385
	₱1,209,135	**₱918,903**	₱713,435	₱854,385

As at December 31, 2012 and 2011, 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 Taganito Special Economic Zone (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. Memorandum of Understanding (MOU)
On September 14, 2009, the Parent Company and TMC entered into a Memorandum of Understanding (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 using the HPAL technology to be located within the TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the project. The estimated project

cost is $1.4 billion over a three-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 51,000 dry metric tons of mixed nickel-cobalt sulfide over an estimated 30-year project life. The MOU provides that the equity share of the Parent Company and SMM shall be 20%-25% and 75%-80%, respectively.

Following this agreement is the Taganito HPAL Stockholders Agreement entered into by the Parent Company, SMM and Mitsui and Co., Ltd. (Mitsui) on September 15, 2010 stating that the project will be undertaken by THNC, a company that will be jointly owned by the Parent Company, SMM and Mitsui with equity interest of twenty two point five percent (22.5%), sixty two point five percent (62.5%) and fifteen percent (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.

c. 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%).

d. Sales Agreements

Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 31a)

Nickel Ore Supply Agreement with CBNC (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, ₱7.8 billion and ₱3.6 billion for the years ended December 31, 2012, 2011 and 2010, respectively.

e. Mining Agreements

MPSA

RTN
On June 4, 1998, the Philippine Government (the Government) approved the conversion of RTN's Mining Lease Contracts under the old mining regime into an MPSA with the Government pursuant to the Philippine Mining Act of 1995. The MPSA allows RTN to explore, develop and continue mining operations for nickel ore within the Contract Area covering 990 hectares in the Municipality of Bataraza, southern Palawan Island. Under RTN's Environmental Compliance Certificate (ECC), however, 144 hectares of the Contract Area are excluded from mining operations, being located within an area classified as "core zone" where mining is prohibited under current regulations of the Palawan Council for Sustainable Development (PCSD).

On April 28, 2005, RTN and the Government entered into a second MPSA covering 85 hectares in the Municipality of Bataraza, which allows RTN to mine limestone in Sitio Gotok. Limestone being mined by RTN pursuant to this second MPSA is being sold to CBNC and used at the Coral Bay HPAL plant.

Under both MPSAs, RTN pays a two percent (2%) excise tax on gross revenues as provided in the Philippine NIRC 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 Mines and Geosciences Bureau (MGB) is consequently under way.

HMC

Tagana-an Nickel Project

On July 25, 2007, 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.

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

East Coast
On November 19, 2007, 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. Accordingly, the

Group provided allowance for impairment losses on the deferred exploration cost incurred in the project amounting to ₱61.4 million and advances to claimowners to East Coast of ₱21.4 million (see Note 13).

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 of nil million and ₱1.0 million on the second and third year, each 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, 2012, the MPSA remains pending.

Kepha
On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of an Application for MPSA 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 once the MPSA is approved, 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.

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 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 advance against royalties amounting to ₱10.0 million was made in order to allow Ludgoron to settle a claims conflict.

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 Service Fee

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 amounted to ₱1.3 million, ₱1.7 million and ₱2.2 million in 2012, 2011 and 2010, respectively (see Note 24).

NAC

Under a loan guarantee service agreement dated December 9, 2011 between NAC and SMM, the latter agreed to satisfy TMC's THNC loan obligations in consideration of the payment by NAC 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 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 Stockholder Agreement.

The loan guarantee service fee amounted to ₱82.7 million, ₱24.9 million and nil in 2012, 2011 and 2010, respectively (see Note 24).

g. 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.

Board of Investments (BOI) Certification

In January 2012, TMC, RTN, HMC and CMC received BOI certifications pursuant to Revenue Memorandum Order (RMO) 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, 2012 and renewable annually, unless sooner revoked by the BOI Governing Board.

Lease Agreements

HMC and CMC entered into operating lease contracts, generally with a one-year period, with tenants of its condominium properties owned by them.

On July 13, 2011, the Parent Company entered into an operating lease agreement, for the lease of its transportation equipment, for a period of one year, commencing on May 2011, and renewable upon mutual agreement between the Parent Company and the lessee. Rent income amounted to ₱9.0 million, ₱1.5 million and nil in 2012, 2011 and 2010, respectively.

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

BOI Certification
In January 2013, RTN, TMC, HMC and CMC received BOI certification pursuant to RMO No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with one hundred percent (100%) Export Sales". The certification is valid from January 1 to December 31, 2013 and renewable annually, unless sooner revoked by the BOI Governing Board.

EO 79
On March 18, 2013, the MGB lifted the moratorium on the grant of EPs and financial or technical assistance agreement.

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

Dividends Declaration
On April 5, 2013, the Company's BOD approved the declaration of cash dividends amounting to ₱0.35 per share, to stockholders of record as at April 22, 2013, which will be paid on May 14, 2013. On the same date, the BOD approved the declaration of stock dividends equivalent to 25% of outstanding common shares, with a record date of ten (10) trading days from shareholder approval, which shall be obtained at the annual meeting, and with an issue date of not more than eighteen (18) trading days from the record date.

38. Supplemental Disclosure to Statement of Cash Flows

In 2012, the noncash investing and noncash financing activities pertain to additional investment in subsidiaries arising from ESOP which amounted to ₱15.9 million and declaration of stock dividends during the year which amounted to ₱335.6 million, 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.

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

	December 31, 2012						
	Mining				Services		
	HMC	CMC	TMC	RTN	RTN/TMC/ LCSLC	Others	Total
External customers	₱2,733,661	₱1,046,768	₱3,012,210	₱3,963,593	₱791,742	₱58,933	₱11,606,907
Inter-segment revenues	147,543	83,265	81,656	74,595	(347,540)	(39,519)	–
Total revenues (see Note 31)	2,881,204	1,130,033	3,093,866	4,038,188	444,202	19,414	11,606,907
Cost of sales	713,371	563,897	996,783	2,184,938	–	–	4,458,989
Cost of services	–	–	115,199	145,200	73,690	–	334,089
Shipping and loading costs	398,842	250,260	385,542	383,075	–	–	1,417,719
Excise taxes and royalties	201,684	177,980	247,509	80,764	–	–	707,937
Segment operating earnings	₱1,567,307	₱137,896	₱1,348,833	₱1,244,211	₱370,512	₱19,414	₱4,688,174
General and administrative	₱74,483	₱37,940	₱119,430	₱76,625	₱7,686	₱311,786	₱627,950
Provision for income tax	₱455,332	₱25,053	₱368,639	₱394,186	(₱8,742)	₱110,348	₱1,344,816
Net income (loss) attributable to equity holders of the parent	₱1,106,479	₱83,656	₱715,831	₱844,246	(₱101,773)	(₱427,123)	₱2,221,316
Segment assets	₱1,564,307	₱986,111	₱5,866,492	₱8,374,105	₱238,090	₱9,766,795	₱26,795,900
Deferred income tax assets - net	128,950	76,208	33,975	–	10,333	103,861	353,327
Total assets	₱1,693,257	₱1,062,319	₱5,900,467	₱8,374,105	₱248,423	₱9,870,656	₱27,149,227
Segment liabilities	₱311,808	₱149,400	₱1,791,078	₱642,549	₱39,320	₱67,172	₱3,001,327
Deferred income tax liabilities - net	2,150	–	–	510,242	34,683	–	547,075
Total liabilities	₱313,958	₱149,400	₱1,791,078	₱1,152,791	₱74,003	₱67,172	₱3,548,402
Capital expenditures	₱284,377	₱180,499	₱841,322	₱1,372,525	₱30,972	₱9,338	₱2,719,033
Depreciation and depletion	₱72,606	₱81,841	₱300,579	₱416,531	₱47,263	₱63,063	₱981,883

	December 31, 2011						
	Mining				Services		
	HMC	CMC	TMC	RTN	RTN/LCSLC	Others	Total
External customers	₱1,725,238	₱1,703,289	₱2,721,040	₱5,955,555	₱413,824	₱175,760	₱12,694,706
Inter-segment revenues	65,489	20,377	30,901	8,389	(69,231)	(55,925)	–
Total revenues (see Note 31)	1,790,727	1,723,666	2,751,941	5,963,944	344,593	119,835	12,694,706
Cost of sales	572,781	451,668	612,878	1,712,363	–	–	3,349,690
Cost of services	–	–	89,173	–	189,774	–	278,947
Shipping and loading costs	413,081	306,572	235,206	343,698	–	(69,233)	1,289,324
Excise taxes and royalties	125,351	271,477	220,155	119,279	–	–	736,262
Segment operating earnings	₱679,514	₱693,949	₱1,594,529	₱3,788,604	₱154,819	₱189,068	₱7,040,483
General and administrative	₱81,741	₱ 60,009	₱133,937	₱101,832	₱10,499	₱219,257	₱607,275
Provision for income tax	₱167,250	₱146,845	₱430,930	₱848,701	₱3,596	₱87,801	₱1,685,123
Net income (loss) attributable to equity holders of the parent	₱396,401	₱346,029	₱607,088	₱2,225,277	₱4,038	(₱42,359)	₱3,536,474
Segment assets	₱1,575,261	₱1,471,363	₱4,942,039	₱6,986,586	₱135,747	₱10,793,924	₱25,904,920
Deferred income tax assets - net	155,312	89,325	5,541	–	4,445	226,870	481,493
Total assets	₱1,730,573	₱1,560,688	₱4,947,580	₱6,986,586	₱140,192	₱11,020,794	₱26,386,413
Segment liabilities	₱320,667	₱353,637	₱1,915,730	₱925,650	₱112,471	(₱125,620)	₱3,502,535
Deferred income tax liabilities - net	–	–	–	5,444	–	585,625	591,069
Total liabilities	₱320,667	₱353,637	₱1,915,730	₱931,094	₱112,471	₱460,005	₱4,093,604
Capital expenditures	₱117,134	₱74,750	₱805,329	₱223,437	₱50,359	₱22,756	₱1,293,765
Depreciation and depletion	₱37,470	₱86,505	₱231,138	₱263,550	₱15,319	₱99,839	₱733,821

	December 31, 2010						
	Mining				Services		
	HMC	CMC	TMC	RTN	RTN/LCSLC	Others	Total
External customers	₱1,348,262	₱1,213,151	₱2,074,221	₱3,396,490	₱249,310	₱54,604	₱8,336,038
Inter-segment revenues	8,435	12,652	14,761	6,326	–	(42,174)	–
Total revenues (see Note 31)	1,356,697	1,225,803	2,088,982	3,402,816	249,310	12,430	8,336,038
Cost of sales	442,783	529,749	630,246	1,459,250	–	–	3,062,028
Cost of services	–	–	–	–	144,036	–	144,036
Shipping and loading costs	470,730	119,096	140,007	125,617	–	–	855,450
Excise taxes and royalties	94,969	193,064	167,119	68,056	–	–	523,208
Segment operating earnings	₱348,215	₱383,894	₱1,151,610	₱1,749,893	₱105,274	₱12,430	₱3,751,316
General and administrative	₱17,274	₱41,668	₱102,779	₱91,221	₱4,601	₱218,189	₱475,732
Provision for (benefit from) income tax	₱103,060	₱115,319	₱298,715	₱570,468	–	(₱140,783)	₱946,779
Net income (loss) attributable to equity holders of the parent	₱278,299	₱284,953	₱462,192	₱797,547	–	(₱276,102)	₱1,546,889
Segment assets	₱249,426	₱1,112,504	₱4,088,682	₱5,816,936	₱–	₱9,921,586	₱21,189,134
Deferred income tax assets - net	145,804	51,118	28,363	–	–	188,729	414,014
Total assets	₱395,230	₱1,163,622	₱4,117,045	₱5,816,936	₱–	₱10,110,315	₱21,603,148
Segment liabilities	₱153,266	₱256,887	₱1,575,291	₱438,674	₱–	₱565,624	₱2,989,742
Deferred income tax liabilities - net	–	–	–	427,391	–	42,447	469,838
Total liabilities	₱153,266	₱256,887	₱1,575,291	₱866,065	₱–	₱608,071	₱3,459,580
Capital expenditures	₱67,158	₱26,144	₱1,351,777	₱333,714	₱12,327	₱367,433	₱2,158,553
Depreciation and depletion	₱24,778	₱108,748	₱135,502	₱268,526	₱6,432	₱19,153	₱563,139

Inter-segment revenues are eliminated upon consolidation and reflected in the “intersegment revenues row”.

The Group has revenues from external customers as follows:

Country of Domicile	**2012**	2011	2010
China	**₱7,356,918**	₱7,815,248	₱3,633,670
Japan	**2,403,673**	2,405,951	2,678,550
Local	**1,846,316**	2,473,507	2,023,818
	₱11,606,907	₱12,694,706	₱8,336,038

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

Revenue from two customers amounted to ₱5,445.5 million, ₱5,822.3 million and ₱4,766.9 million in 2012, 2011 and 2010, respectively, arising from sale of ores.

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www.sgv.com.ph

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries
6th Floor NAC Centre
143 Dela Rosa Street, Legaspi Village
Makati City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group) as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated April 5, 2013. 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 Group'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.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, Valid until April 15, 2015
PTR No. 3669674, January 2, 2013, Makati City

April 5, 2013

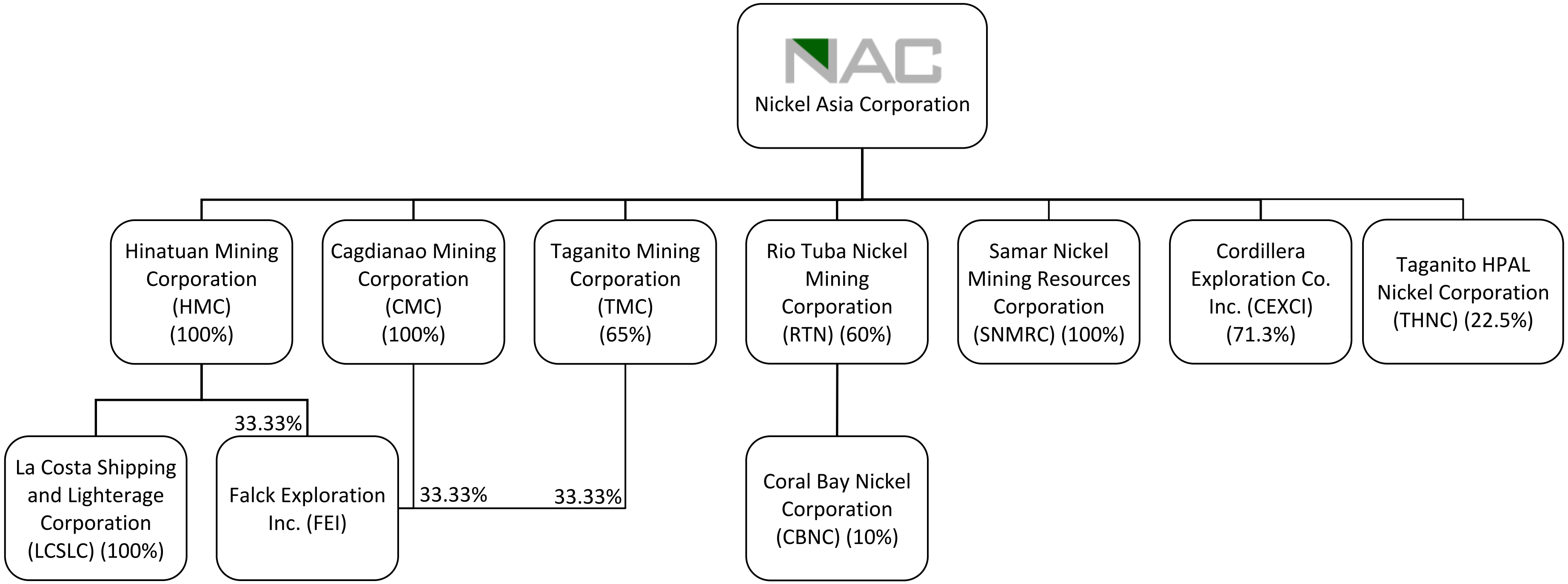
SCHEDULE I
NICKEL ASIA CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2012

Unappropriated retained earnings as of December 31, 2011, as reflected in audited financial statements		₱5,266,624,455
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*		5,256,500,881
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	1,955,410,395	
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	–	
Add: Non-actual losses		
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	–	
Subtotal	–	
Net income actually earned during the period		**1,955,410,395**
Add (Less):		
Dividend declarations during the period	(1,409,535,730)	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		(1,409,535,730)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱5,802,375,546**

SCHEDULE II
NICKEL ASIA CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2012

		2012	2011
A.	Current/liquidity ratios		
	Current ratio	**10.54**	8.71
	Quick ratio	**8.97**	7.49
	Cash ratio	**7.26**	6.32
	Cash conversion cycle	**140.62**	157.25
B.	Sovency ratio/Debt-to-equity ratio		
	Solvency ratio	**1.16**	1.51
	Debt-to-equity ratio	**0.15**	0.18
C.	Asset-to-equity ratios		
	Asset to equity ratio or equity multiplier	**1.15**	1.18
D.	Interest rate coverage ratio		
	Interest coverage ratio	**101.71**	205.60
E.	Profitability ratios		
	Net profit margin analysis	**27%**	43%
	Return on assets	**12%**	21%
	Return on equity	**13%**	25%
	Return on capital employed	**12%**	23%

SCHEDULE III
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, 2012



SCHEDULE IV
NICKEL ASIA CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2012

I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2012:

PFRS		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			✓
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	Not early adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
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	Not early adopted		
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	Not early adopted		

PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting 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	Not early adopted		
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	Not early adopted		

PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		

PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- 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			✓
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, 2013 onwards.

SCHEDULE V

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2012

	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:					
Cash on hand and with banks		N/A	₱ 637,617	₱ 637,617	
Short term cash investments					
Bank of the Philippine Islands		N/A	462,651	462,651	
BPI Family Savings Bank		N/A	1,642,475	1,642,475	
Security Bank Corporation		N/A	1,023,108	1,023,108	
Security Bank Savings		N/A	895,989	895,989	205,654
Banco de Oro		N/A	1,250,779	1,250,779	
Union Bank of the Philippines		N/A	1,159,787	1,159,787	
Metropolitan Bank and Trust Company		N/A	765,614	765,614	
Rizal Commercial Banking Corporation		N/A	105,375	105,375	
RCBC Savings Bank		N/A	1,266,924	1,266,924	
Hongkong and Shanghai Banking Corporation		N/A	53,132	53,132	
Cash and cash equivalents			9,263,451	9,263,451	205,654
Trade receivables		N/A	335,748	335,748	-
Receivable from Coral Bay Nickel Corporation		N/A	276,394	276,394	-
Amounts owed by related parties		N/A	6,611	6,611	-
Others		N/A	319,107	319,107	-
Trade and other receivables			937,860	937,860	-

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. **Financial Assets**
December 31, 2012

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		
Credit Suisse AG	2,970,424 shares	₱ 280,223	₱ 280,223	₱ 782
ATR Kim Eng Capital Partners, Inc.	25,479,005 shares	89,849	89,849	-
BPI Asset Management	42,935 shares	10,374	10,374	-
BNP Paribas		641,299	641,299	-
Euroasian Consolidated Minerals Pty. Ltd.	12,500 shares	64,359	64,359	-
Ayala Land, Inc.	50,000,000	49,063	49,063	-
Globe Telecom	30,000,000	29,671	29,671	-
Ayala Corporation	45,000,000	44,999	44,999	-
Security Bank Corporation	43,284 shares	6,752	6,752	55
Philippine Long Distance & Telephone Company	2,337,202	2,481	2,481	3
Wack-wack Golf and Country Club	1 share	17,500	17,500	-
Security Land Corporation	3,057,197 shares	126,758	126,758	-
Manila Gold and Country Club	1 share	40,000	40,000	-
Coral Bay Nickel Corporation	58,749,999 shares	724,410	724,410	191,880
Valle Verde Country Club	1 share	120	120	-
Camp John Hay Country Club	1 share	180	180	-
AFS financial assets		2,128,038	2,128,038	192,720
MRF	N/A	134,288	134,288	-
Cash held in escrow	N/A	64,228	64,228	2,715
Long-term negotiable instrument	N/A	30,000	30,000	263
Other noncurrent assets		228,516	228,516	2,978
TOTAL		₱ 12,557,865	₱ 12,557,865	₱ 401,352

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, 2012

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non Current	Ending Balance
			Amount Collected	Amount Written-Off			

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 during the Consolidated Financial Statements
For the Year Ended December 31, 2012

Name of Subsidiary	Balance at January 1, 2011	Additions	Amounts Collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
Taganito Mining Corporation	₱ 5,622,619	₱ 5,569,286	₱ (13,401,197)	₱ -	₱ -	₱ -	₱ -	₱ -
Rio Tuba Nickel Mining Corporation	5,509,373	4,023,575	(5,656,787)	-	-	3,876,161	-	3,876,161
Samar Nickel Mining Resources Corporation	2,600,450	801,641	-	-	-	3,402,091	-	3,402,091
Cagdianao Mining Corporation	4,245,112	6,638,864	(10,353,063)	-	-	530,913	-	530,913
Cordillera Exploration Co. Inc.	3,088,633	10,337,548	(250,428)	-	-	13,175,753	-	13,175,753
La Costa Shipping and Lighterage Corporation	19,578	103,819	(104,274)	-	-	19,123	-	19,123
Hinatuan Mining Corporation	-	8,612,700	(7,234,255)	-	-	440,259	-	440,259
TOTAL	₱ 21,085,765	₱ 36,087,433	₱ (37,000,004)	₱ -	₱ -	₱ 21,444,300	₱ -	₱ 21,444,300

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
For the Year Ended December 31, 2012

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*	₱ 118,348	₱ 24,044	₱ -	₱ -	₱ -	₱ 142,392
						-
	₱ 118,348	₱ 24,044	₱ -	₱ -	₱ -	₱ 142,392

*Disclosed in Note 13 to the Consolidated Financial Statements

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule E. Long-term Debt
December 31, 2012

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.	₱ -	₱ 44,781	₱ 165,514	A
Taganito HPAL Nickel Corporation	-	71,838	1,257,156	B
Deferred Income				
Taganito HPAL Nickel Corporation	-	4,563	79,609	C
Total	₱ -	₱ 121,182	₱ 1,502,279	

Remarks:

A Interest rate is based on prevailing 180-day British Banker Association 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, 2012

Name of Affiliate		Beginning Balance		Ending Balance
		In Thousands		
Long-term Debt				
Sumitomo Metal Mining Co.	₱	272,413	₱	210,295
Taganito HPAL Nickel Corporation		1,496,040		1,328,994
Deferred Income				
Taganito HPAL Nickel Corporation		84,154		84,172
	₱	1,852,607	₱	1,623,461

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2012

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, 2012

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	4,265,000,000	2,013,476,263	9,514,317	1,299,216,691	268,374,141	445,885,431
Preferred Stock	720,000,000	720,000,000	-	720,000,000	-	-

CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte and Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte.

As of December 31, 2012, the Company's Total Ore Reserves in accordance with PMRC are as follows:

Ore	**Class**	**Tonnes** (kWMT)	**Tonnes** (kDMT)	% Ni	%Fe	**Contained** Ni (kt)
Ore Reserves						
Saprolite	Proved and Probable	119,058	80,557	1.50	11.69	1,208
Limonite	Proved and Probable	248,969	168,238	1.11	42.51	1,863

The undersigned is issuing this certification in his capacity as PMRC Competent Person accredited by the Philippine Society of Mining Engineers (PSEM) for the ore reserves declared by the Company for its properties. The undersigned is fully aware that, being under the employ of Nickel Asia Corporation, his certification may be subjected to review or scrutiny by other independent CP's whom the concerned government institution(s) of financing bodies might choose to employ.

JOSE S. SARET
Mining Engineer, License No. 887
PMRC Competent Person for Surface Mining (Ni, Au, Cu)
PTR No. 3676182 Issued: 1/8/2013, Makati City

CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTN) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Surigao del Norte and Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Taganaan, Surigao del Norte.

As of December 31, 2012, the Company's Total Mineral Resources in accordance with PMRC are as follows:

Ore	**Class**	**Tonnes** (kWMT)	**Tonnes** (kDMT)	% Ni	%Fe	**Contained** Ni (kt)
Mineral Resources						
Saprolite	Measured and Indicated	126,212	84,050	1.61	11.17	1,356
Limonite	Measured and Indicated	264,912	178,870	1.10	43.18	1,975
Saprolite	Inferred	30,816	19,724	1.45	12.01	286
Limonite	Inferred	13,149	8,986	1.10	39.79	98

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its properties.

RSLuna

RADEGUNDO S. DE LUNA
Geologist, License No. 218
Competent Person for Nickel, PMRC No. 07-12-05
PTR No. 3677097 Issued: 1/15/2013, Antipolo City