PROMISES KEPT

ANNUAL REPORT 2014

NAC
NICKEL ASIA CORP.

ABOUT THE COVER

“Manicani island’s seaside barangays rise again a year after Typhoon Yolanda (International Code name Haiyan), thanks to NAC’s housing program. Under this program, NAC repaired and rebuilt nearly all the houses damaged by the typhoon – keeping its promise to the island residents.”

CONTENTS

WHO WE ARE

NICKEL ASIA CORPORATION (**NAC**), the Philippines’ largest producer of lateritic nickel ore and one of the largest in the world, has a long operating history. In 1977, we made our first shipment from our first mine, Rio Tuba, at the southern tip of Palawan island. Since then we have sold over 100 million wet metric tons of ore and expanded our business to four operating mines.

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

Our Taganito operation also supplies all of the limonite ore requirements for the Taganito HPAL plant, the country’s second hydrometallurgical nickel processing plant. We have a 22.5% interest in this plant through Taganito HPAL Nickel Corporation (THNC). It completed its first full year of commercial operations at 80% capacity in 2014, and expects to achieve full capacity at 30,000 tonnes of contained nickel in 2015. Built at a cost of US$ 1.7 billion, it is the single largest investment in the country’s minerals sector to date.

Apart from our four operating mines, we have five properties in various stages of exploration for nickel.

We continue our search for opportunities in copper and gold through Cordillera Exploration Company, Inc., our 71.25% owned subsidiary.

We are moving into the field of power generation. We have a Power Sales Agreement with the Surigao del Norte Electric Cooperative, which we will fulfill through an 11 MW diesel power plant we are about to complete in Brgy. Quezon, Surigao City. Commercial operation of this PhP800 million project is expected by January 2016.

In Mindoro, we have financed the drilling of slim wells to explore opportunities for geothermal power production through Emerging Power, Inc. (EPI). Following favorable results and a new Volumetric Assessment Report, the Board approved the conversion of the loan to a 55% equity in EPI. EPI is the holder of a Service Contract over the Montelago geothermal field from which it expects to produce 40 MW of power to be supplied to both Occidental and Oriental Mindoro.

We remain focused on growth while continuing to take our responsibilities toward environmental protection, local development and community relations and the safety of everyone involved in our operations very seriously. Our efforts in these areas have been recognized many times over, such as from awards we received during the annual Presidential Mineral Industry Environmental Awards.

Fundamental to our operations is the principle of Sustainability as the only way forward for any mineral development operation and we exert great effort to remain faithful to this principle.

We are committed to responsible mining and to world-class standards in all that we do.

VISION

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

MISSION STATEMENT

Using best global industry practices, we are committed to:

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

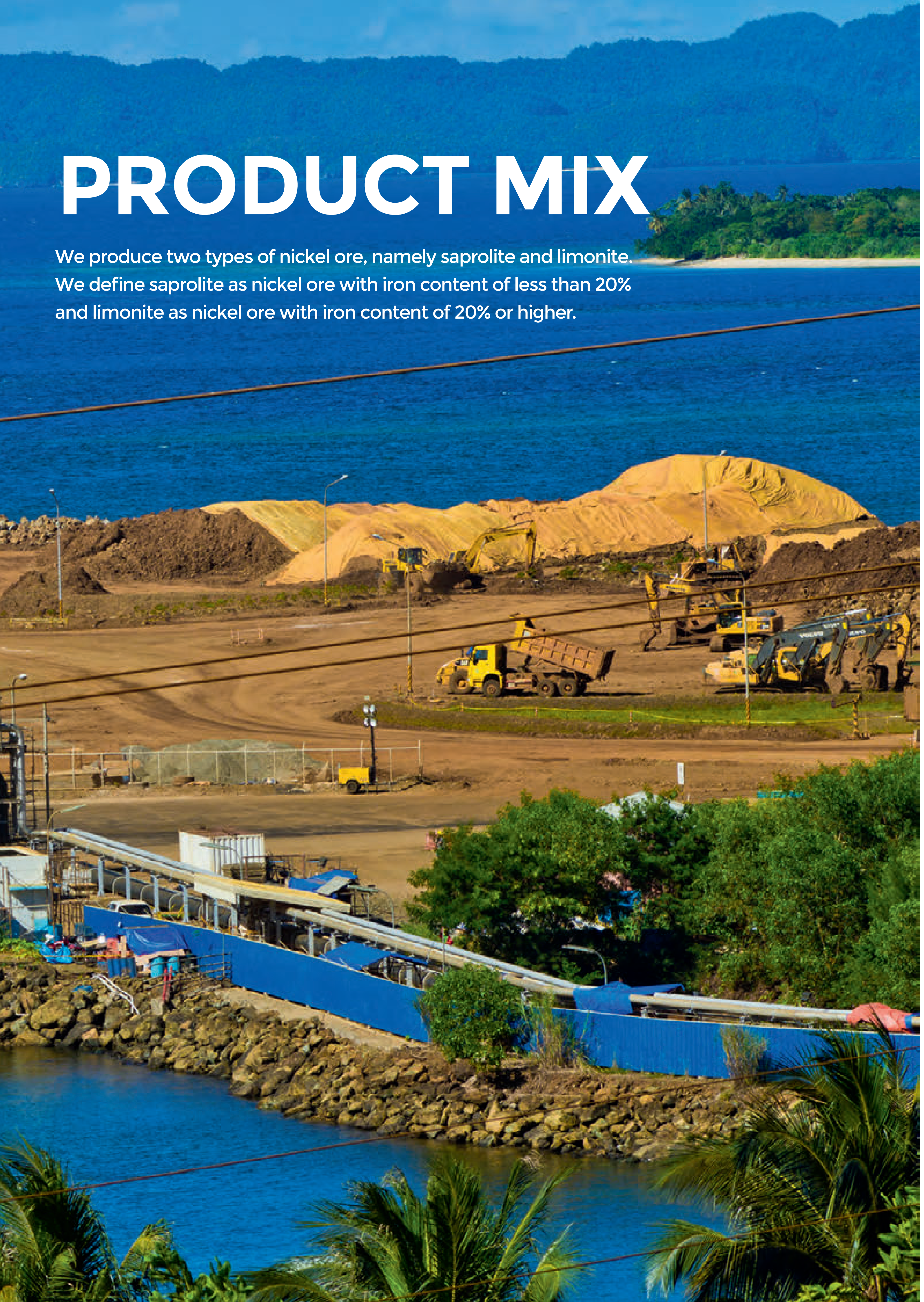
CORE VALUES

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

CORPORATE STRUCTURE

PRODUCT MIX

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



	Saprolite		Limonite		
Type of Ore:	Hi Grade ≥1.7% Ni	Mid Grade ≥1.4% Ni	Mid Grade ≥1.2% Ni	High Fe 0.6-0.9% Ni, 48-50% Fe	Low Grade 1.0-1.2% Ni
Supplied by:	Rio Tuba Taganito Cagdianao Hinatuan	Rio Tuba Taganito Cagdianao Hinatuan	Cagdianao	Rio Tuba Taganito Hinatuan	Rio Tuba Taganito
Sold To:	Japan FeNi Smelter	Japan FeNi Smelter/China NPI Smeltear (EF & RKEF)	China NPI Smelter (Blast Furnace)	China NPI Smelter (Blast Furnace) / China Pig Iron Smelter (Blast Furnace)	Philippines CBNC THNC
Final Products:	Ferronickel	Ferronickel Hi-Grade NPI: 10-12%Ni	Medium Grade NPI: 6-8% Ni	Low Grade NPI (1-3% Ni) / Pig Iron	Ni-Co Sulfide 55% Ni
For Use In:	300 Series Stainless Steel	300 Series Stainless Steel	300 Series Stainless Steel	200 Series Stainless Steel/Carbon Steel	Ni Smelter
Pricing Method:	LME Ni Price x Payable Ni [1]	Negotiated US$/WMT	Negotiated US$/WMT	Negotiated US$/WMT	LME Ni Price x Payable Ni
2014 Volume(kWMT)	1,065	4,676	461	4,266	7,406
2014% Volume	6%	26%	3%	24%	41%
2014% of Revenue	18%	45%	3%	22%	12%

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

We ship out two types of saprolite: high-grade and mid-grade. High-grade saprolite has a nickel content of about 1.7% and above while mid-grade saprolite ore has a nickel content of between 1.4 to 1.6%.

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

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

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

SALES AND FINANCIAL HIGHLIGHTS

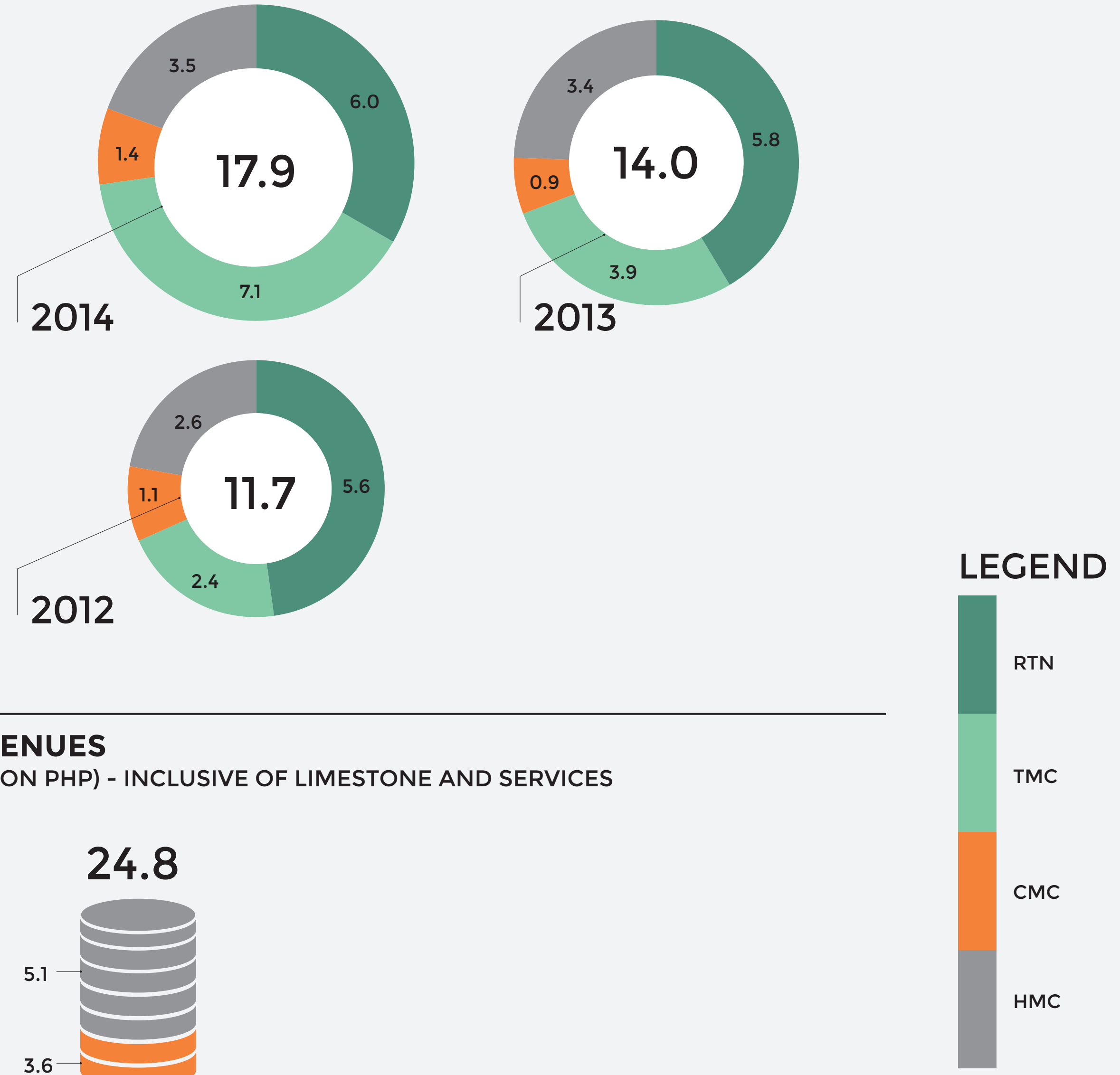
SALES HIGHLIGHTS

	2014	2013	2012
Total Sales (WMT '000)	17,873	13,998	11,730
LME-based Sales (WMT '000)	7,589	5,154	4,718
Payable Nickel (lbs. '000)	9,173	9,078	11,176
Realized LME Price ($/lb.)	7.6	6.9	8.1
Tonnage-based Sales (WMT '000)	10,284	8,844	7,012
Ave. Price ($/WMT)	45.4	17.2	24.4

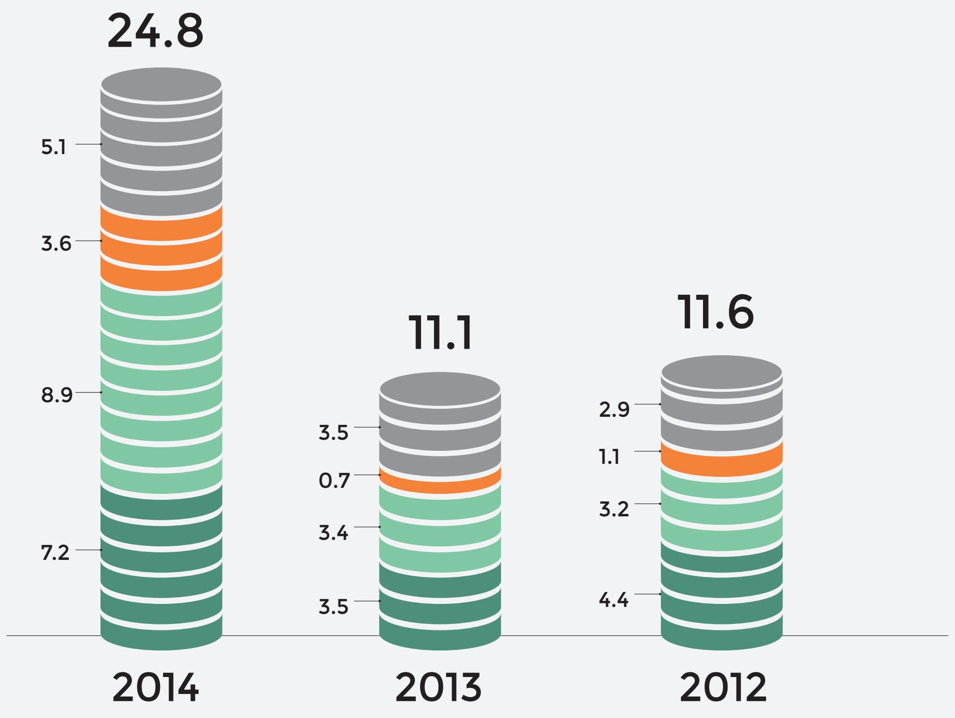
FINANCIAL HIGHLIGHTS
(PHP '000)

	2014	2013	2012
REVENUES			
Sale of Ore	**24,052,734**	10,475,497	11,143,293
Services and Others	**692,970**	634,032	463,614
	24,745,704	11,109,529	11,606,907
COST AND EXPENSES			
Cost of Sales and Services	**7,734,072**	6,288,986	6,222,518
General and Administrative	**956,864**	624,819	527,581
Excise Tax and Royalties	**1,754,834**	648,608	707,937
	10,445,770	7,562,413	7,458,036
FINANCE AND OTHER INCOME - NET	**1,001,012**	163,535	306,127
PROVISION FOR INCOME TAX	**4,292,827**	1,124,215	1,334,698
NET INCOME			
Attributable to Equity Holders of the Parent	**8,551,627**	2,053,674	2,207,210
Attributable to Non Controlling Interests	**2,456,492**	532,762	913,090
	11,008,119	2,586,436	3,120,300
BASIC EARNINGS PER SHARE (PHP)	**2.26**	0.54	0.58
FINANCIAL CONDITION			
Cash and cash equivalents	**13,561,803**	10,234,336	9,263,451
Other Current Assets	**7,049,667**	4,366,700	4,186,096
Non Current Assets	**14,572,438**	14,312,492	13,729,670
Current Liabilities	**2,114,567**	1,308,963	1,275,729
Non Current Liabilities	**2,166,995**	2,392,777	2,321,784
Equity	**30,902,346**	25,211,788	23,581,704
BOOK VALUE PER SHARE (PHP)	**7.17**	5.42	5.00

NICKEL ORE SALES
(MILLION WMT)



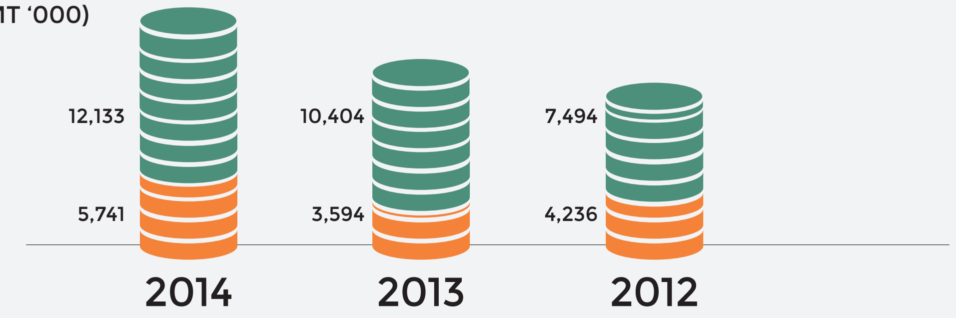
REVENUES
(BILLION PHP) - INCLUSIVE OF LIMESTONE AND SERVICES



KEY PERFORMANCE INDICATORS

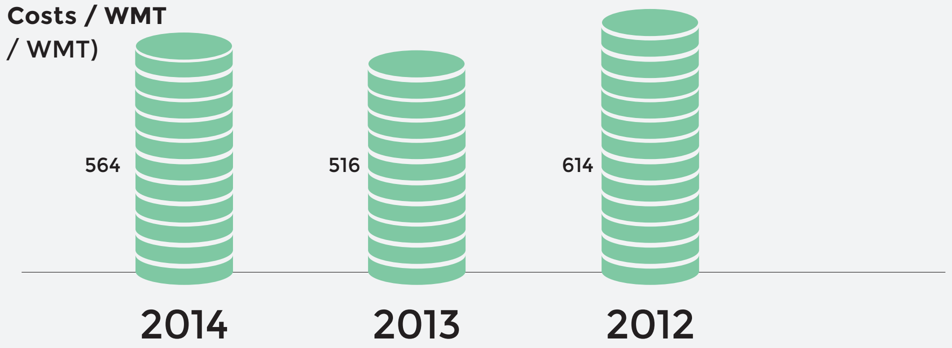
Leonides S. Virata Memorial School - Computer Laboratory
Rio Tuba Nickel Mining Corporation, Bataraza, Palawan

Sales Volume
(WMT '000)

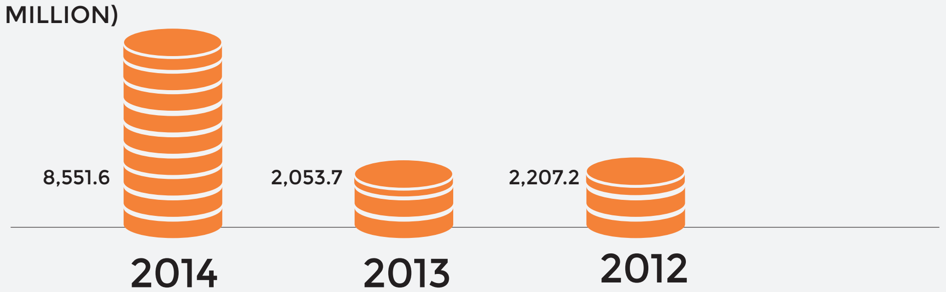


LEGEND
LIMONITE
SAPROLITE

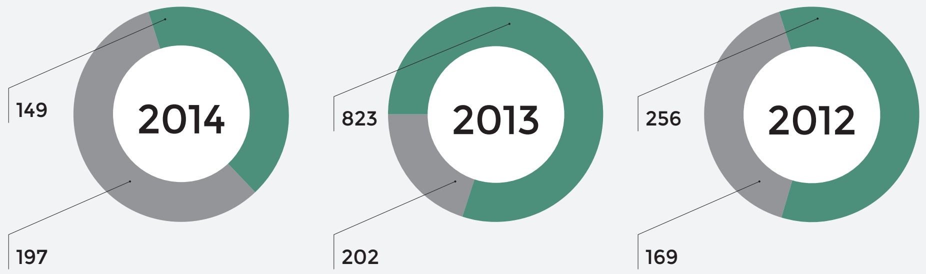
Total Costs / WMT
(PHP / WMT)



Attributable Net Income
(PHP MILLION)

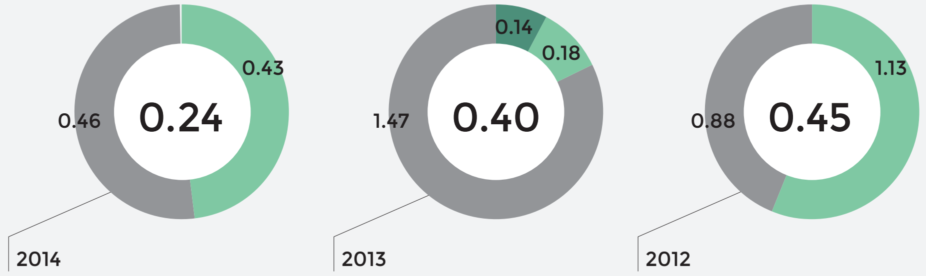


Hectarage Reforested And Rehabilitated



LEGEND
NATIONAL GREENING PROGRAM
REHABILITATION

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



LEGEND
RTN
TMC
CMC
HMC

CORPORATE GOVERNANCE

MISSION, VISION, AND CORE VALUES

The Company's Mission, Vision and Core Values are formulated by the Board of Directors (Board) in line with the Board's responsibility to set the Company's direction and to provide strategic leadership, policies and guidelines to foster the long-term success for the best interests of its shareholders.

The Company's Mission, Vision and Core Values are reviewed by the Board annually. The Board reviewed the Mission, Vision and Core Values of the Company in May 2014 and will undertake the annual review in 2015.

GOVERNANCE STATEMENT

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

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

The Company's Board of Directors likewise approved and adopted the Code of Business Conduct and Ethics ("Code") in furtherance of its commitment to good and effective corporate governance.. The Code applies to Directors, Officers and employees of Nickel Asia Corporation and its subsidiaries, who are all expected to maintain high ethical standards of conduct and to comply fully with applicable laws and governmental regulations. It is designed to ensure consistency in how they conduct themselves within the Company, and outside of the Company in their dealings with all stakeholders.

CORPORATE GOVERNANCE STRUCTURE

Board of Directors

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

The Company's Board is comprised of nine (9) Directors, with two (2) being Independent Directors. The Company's Manual on Corporate Governance provides for qualifications of Directors, which allows shareholders to freely choose/ nominate Directors coming from diverse professional backgrounds. Every shareholder, regardless of number of stocks held, has the right to nominate candidates for election to the Board of Directors.

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

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

Definition of Independence & Independent Directors

The Company adopts the definition of "independence" under the Securities Regulations Code. The Company considers as an Independent Director one who, except for his Director's fees and shareholdings, is independent of Management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director.

Shareholders' Rights

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

The Company follows the Term Limits for Independent Directors as provided under SEC Memorandum Circular No. 9, Series of 2011.

Board	Name	Date of Election	No. of Meetings Held during this year	No. of Meetings Attended	%	Directorship in Other Publicly Listed Companies
Chairman	Manuel B. Zamora, Jr.	06 June 2014	4	4	100%	None
Member	Philip T. Ang	06 June 2014	4	4	100%	Security Bank Corporation
Member	Gerard H. Brimo	06 June 2014	4	4	100%	None
Member	Luis J. Virata	06 June 2014	4	3	75%	Benguet Corporation
Member	Takanori Fujimura	06 June 2014	4	4	100%	None
Member	Takeshi Kubota	06 June 2014	4	4	100%	Sumitomo Metal Mining Co., Ltd.
Member	Martin Antonio G. Zamora	06 June 2014	4	4	100%	None
Independent Director	Fulgencio S. Factoran, Jr.*	06 June 2014	4	4	100%	BDO Leasing & Finance, Inc. Atlas Consolidated Mining and Development Corp.
Independent Director	Frederick Y. Dy	06 June 2014	4	4	100%	Security Bank Corporation

**Atty. Factoran has extensive experience in mining and natural resources, having been the Secretary of the Department of Environment and Natural Resources from 1987 to 1992.*

Shareholders' Meeting

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

Notice and Procedures

The Company sends timely notice of meetings to shareholders. Notice stating the date, time and place of the annual meeting are announced at least twenty eight (28) days prior to the scheduled annual meeting. Materials for the meeting, including the agenda, the rationale and explanation for each of the items on the agenda, the Information Statement, profiles of candidates seeking election to the Board and proxy forms and documents required to enable a shareholder to appoint a proxy to vote on his behalf shall be disseminated to all shareholders within the periods prescribed by the SEC.

Board Attendance, Appraisal & Training

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

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

BOARD COMMITTEES

Audit and Risk Committee

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

Aside from overseeing the internal and external auditors of the Company, which includes the responsibility for recommendation on the appointment, re-appointment and removal of the external auditor, the Audit and Risk Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to Management and shareholders of the continuous improvement of the Company's risk management systems, business operations, and the proper safeguarding and use of resources and assets. The Committee in particular oversees the Enterprise Risk Management (ERM) process that has been implemented by the Company, which process ensures that all business risks are identified, measured and managed effectively within a structured and proactive framework. The Audit and Risk Committee provides a general evaluation and assistance in the overall improvement of the Company's risk management, control and governance processes.

The table below shows the attendance of the Audit and Risk Committee Members during meetings:

Board	Name	No. of Meetings Held during this year	No. of Meetings Attended	%
Chairman	Frederick Y. Dy*	4	4	100%
Member	Gerard H. Brimo	4	4	100%
Member	Takanori Fujimura	4	4	100%

Mr. Dy has extensive experience in finance, holding the position of Chairman of Security Bank Corporation since 30 April 1991.

Risk Committee

Effective May 5, 2015, the Board approved the creation of a Risk Committee separate from the Audit Committee. The Risk Committee is comprised of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Messrs. Gerard H. Brimo and Takanori Fujimura as members. The Risk Committee reports to the Board and is required to meet at least once every three months.

The Risk Committee assists the Board in its oversight responsibility for the Company's ERM, and shall review the effectiveness of the risk management system and commenting on its adequacy.

Remuneration (Compensation) Committee

The Compensation Committee is comprised of Mr. Manuel B. Zamora, Jr., as Chairman, and Messrs. Gerard H. Brimo and Frederick Y. Dy as members, the latter being an Independent Director. The Committee was constituted in November 2013 and two meetings were held in 2014, wherein all members were present.

The Compensation Committee is responsible for establishing and monitoring the remuneration of Directors and Officers, as well as bonus plans for the Company's employees, to ensure that their overall compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

Nomination Committee

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

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

Executive Implementation

The Company's Chairman and Chief Executive Officer ("CEO") are held separately by unrelated individuals. The roles of Chairman and the CEO are assigned to Manuel B. Zamora Jr. and Gerard H. Brimo, respectively.

Chairman
The Chairman is responsible for leadership of the Board. He ensures effective operation of the Board and its committees in conformity with the highest standards of corporate governance. He is accountable to the Board and acts as direct liaison between the Board and Management of the Company, through the CEO. He ensures that the Board works effectively and sets an agenda which is focused on strategy, performance and accountability, while taking into consideration recommendations of the Directors, CEO and Management. He sets the style and tone of Board discussions to promote constructive debate and effective decision making.

President and CEO
The President and CEO provides the leadership for Management to develop and implement sound business strategies, plans, budgets and a system of internal controls. He ensures that the overall business and affairs of the Company are managed in a sound and prudent manner and that business risks are identified and properly addressed. As such, he is considered the Chief Risk Officer of the Company. He also ensures that operational, financial and internal controls are adequate and effective in order to generate sound and reliable financial and operational information, to maximize the effectiveness and efficiency of operations, to safeguard Company assets and resources, and to comply with all laws, rules, regulations and contracts. The President and CEO, with the assistance of the rest of the Company's Management, also has the responsibility to provide the Board with a balanced, understandable and accurate account of the Company's performance, financial condition, results of operations, and prospects, on a regular basis.

Corporate Governance Officer
Mr. Emmanuel L. Samson, aside from being designated as the Senior Vice President – Chief Financial Officer, has likewise been appointed by the Board as the Corporate Governance Officer. He is tasked with ensuring that corporate governance policies are disseminated, adopted throughout the organization and become an integral part of the Company's culture. In addition, he also ensures that the necessary systems are in place to monitor compliance.

Compliance Officer
Mr. Jose Roderick F. Fernando, aside from being designated as the Vice President – Legal and Special Projects, is likewise the Chief Compliance Officer. He ensures the Company's strict adherence to all laws, regulations, guidelines and specifications relevant to the business.

AUDITORS

Internal Auditor
The Board, upon the recommendation of the Audit and Risk Committee, appointed the Company's Internal Auditor, who is primarily tasked with evaluating the adequacy and effectiveness of the Company's governance and operations, the reliability and integrity of financial information, the safeguarding of assets, and compliance with laws, rules and regulations.

External Auditor
The external auditor is appointed by the Audit and Risk Committee, which reviews its qualifications, performance and independence. To ensure objectivity in the performance of its duties, the external auditor is subject to the rules on rotation and change (every five years); general prohibitions on hiring of staff of the external auditor; and full and appropriate disclosure and prior approval by the Audit and Risk Committee of all audit and non-audit services and related fees. Approval of non-audit work by the external auditor is principally tested against the standard of whether such work will conflict with its role as an independent auditor or would compromise its objectivity or independence as such.

ANNUAL CORPORATE GOVERNANCE REPORT

The Company commits to good governance and continues to raise the bar by implementing programs and measures aimed at value creation and long-term growth.

In compliance with the requirements of the Securities and Exchange Commission, the Company updated this report in 2014 with the implementation of the various corporate governance programs and measures.

CORPORATE GOVERNANCE POLICIES

The Company's corporate governance principles, structures and processes are established and articulated in two fundamental policies: The CG Manual and the Code of Business Conduct and Ethics. These policies are responsive to the Company's operations, business environment and laws, rules and regulations applicable to the Company. As part of Board oversight, the Company's corporate governance policies and their effectiveness are reviewed on a periodic basis to ensure that they continue to be compliant, appropriate and effective.

The CG Manual institutionalizes the principles of good corporate governance in the entire organization and embodies the framework of rules, systems and processes that governs the performance by the Board and Management of their respective duties and responsibilities to the shareholders and other stakeholders.

Pursuant to the principles embodied in the CG Manual, the Company has adopted the following Corporate Governance Policies:

A. Insider Trading Policy

The Policy on Insider Trading provides for the general guidelines and disclosure requirements on dealings of corporate insiders in shares of stocks. This policy requires all those considered as corporate insiders to report their dealings in company shares within the prescribed reporting period from the date of transaction.

B. Conflict of Interest Policy

As a general rule, the Policy on Conflict of Interest ensures that all Directors, Officers and Employees are charged with the duty of loyalty to the corporate interest. Their personal interests should not prevail against the interests of the Company. It is recognized that it is not only conflict of interest but also the appearance of conflict of interest that must be avoided. This means that any activity that may compromise or seem to compromise the integrity of the Company or of any Director, Officer or Employee must be avoided.

C. Procurement Governance Policy

As a general rule, the Company shall maintain the highest standard of transparency, probity, ethics and integrity; shall maximize value for money and ensure quality goods

and services; shall ensure accountability, consistency and alignment in procurement practices across its various entities and business units; shall commit to fair and effective competition, innovation and continuous improvement; shall identify sustainable and socially responsible procurement solutions; and provide efficient processes, flexibility and support to the Company and its suppliers

D. Gifts, Hospitality and Sponsored Travel Policy

As a general rule, Directors, Officers or Employees, as well as Consultants shall not accept, directly or indirectly, gifts, hospitality or sponsored travel from suppliers and other parties with whom the Company has business dealings, except if the value of such gifts or hospitality is a token amount, as periodically determined by Management from time to time, or such sponsored travel is of a technical or business nature. Likewise, as a general rule, Directors, Officers or Employees, as well as Consultants shall not provide, directly or indirectly, gifts, hospitality or sponsored travel to any person in order to improperly influence or induce such person to give its business or benefits to the Company, its Directors, Officers, Employees and Consultants.

E. Whistleblowing Policy

The policy provides a system intended to assist those who believe they have discovered impropriety or fraud or offenses covered by the existing Code or other corporate governance rules of the Company. In those instances, the Employee should impose upon himself the duty to disclose such matters to his immediate superior. When the immediate superior does not act, or may himself be involved, the employee may avail of this Policy and the protection it affords.

F. Policy on Related Party Transactions

The policy ensures that material transactions between the Company or any of its subsidiaries and a Related Party shall be subject to review and approval by the Board to assure that they are at arms-length, the terms and conditions are fair and will redound to the best interest of the Company, its subsidiaries and shareholders.

G. Policy on Third Party Advisors

The policy provides for the appointment of an independent third party to evaluate the fairness of the transaction price where the Company is the offeree in a merger or acquisition transaction requiring shareholders' approval that will result in a change of control of the Company.

H. Remuneration Policy

As a matter of policy, the remuneration of directors and officers of the Company is based on responsibilities and performance. The remuneration must be adequate to attract, motivate and keep a pool of officers and executives who will contribute to the long-term financial success of the Company.

I. Policy on Cash Dividends

The policy entitles shareholders of record to receive annual cash dividends of up to 30% of the prior year's recurring attributable net income based on the recommendation of the Board. The policy also ensures that cash dividends shall be paid to in a timely manner and not later than thirty (30) days from the date of declaration of such dividend.

J. Policy on Sustainability

As a sustainable enterprise, the Company recognizes its responsibility of creating an acceptable return for shareholders while at the same time understanding, managing and mitigating the impacts of its mining operations on the environment and communities where it operates.

The Company aims to keep improving its sustainability performance and its earnest commitment to this is duly guided and strengthened by prevailing legislations, commercial requirements, external reporting frameworks and our stakeholders' expectations.

The Company's approach to sustainability is three-fold:

- Optimizing efficiencies in production and operations to minimize environmental impacts.
- Practicing good corporate governance and fair labor practices.
- Practicing good corporate citizenship and stakeholder engagement.

ENTERPRISE RISK MANAGEMENT

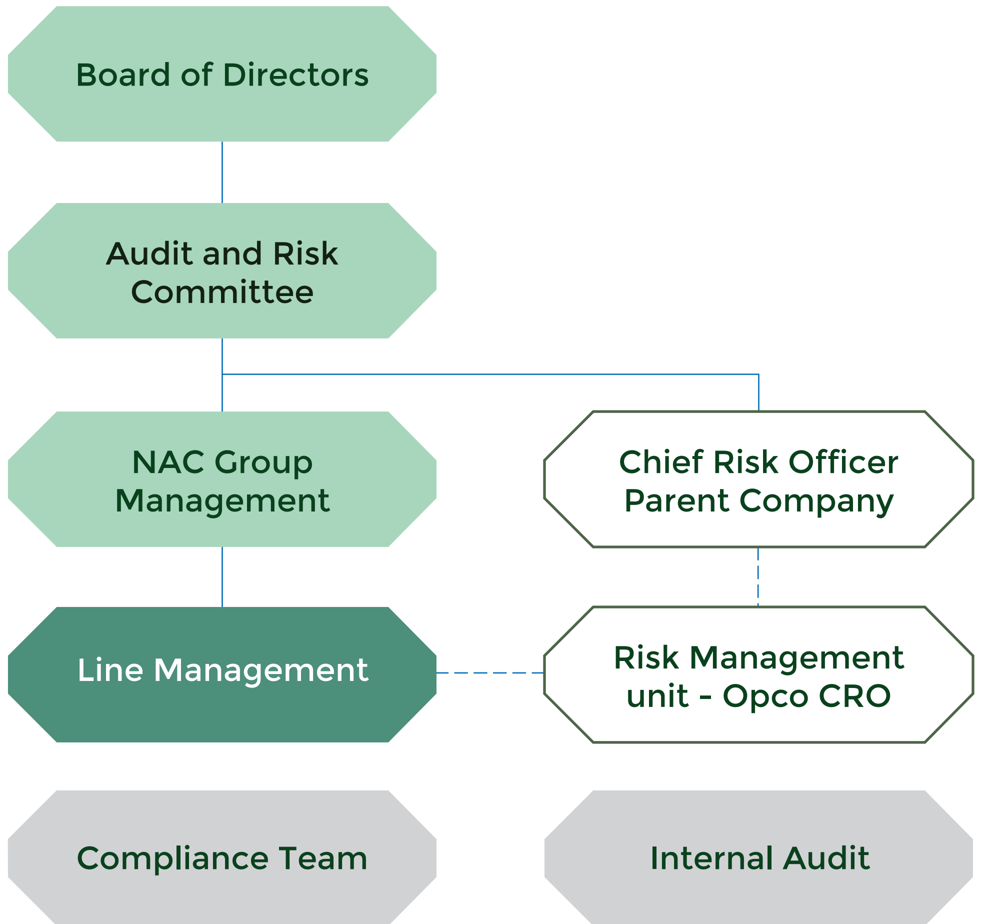
The Company adopts a risk philosophy aimed at enhancing shareholder value by sustaining competitive advantage, optimizing risk management cost, and enabling the Company to pursue strategic growth opportunities with greater speed, skills and confidence than its competitors.

To put the philosophy into action, the Board, through its Audit and Risk Committee, implemented an Enterprise Risk Management (ERM) that shall ensure that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. The Company's ERM is based on the Committee of Sponsoring Organizations of the Treadway Commission-ERM framework. Values and standards of business conduct and ethics are important elements of the internal environment for risk management.

RISK MANAGEMENT FRAMEWORK

The risk management processes facilitate alignment of the Company's strategy and annual operating plan with the management of key risks. Risk assessment and mitigation strategy is an integral part of the Company's annual business planning and budgeting process. The Company has in place a formal program of risk and control self-assessment whereby line personnel are involved in the ongoing assessment and improvement of risk management and controls. All department and section heads of the Company are actively involved in the setting of objectives and the identification of related risks that could prevent the Company from achieving its objectives. Employees are informed of the identified risks and are enjoined to make it their business to actively participate in implementing measures that will mitigate the risks.

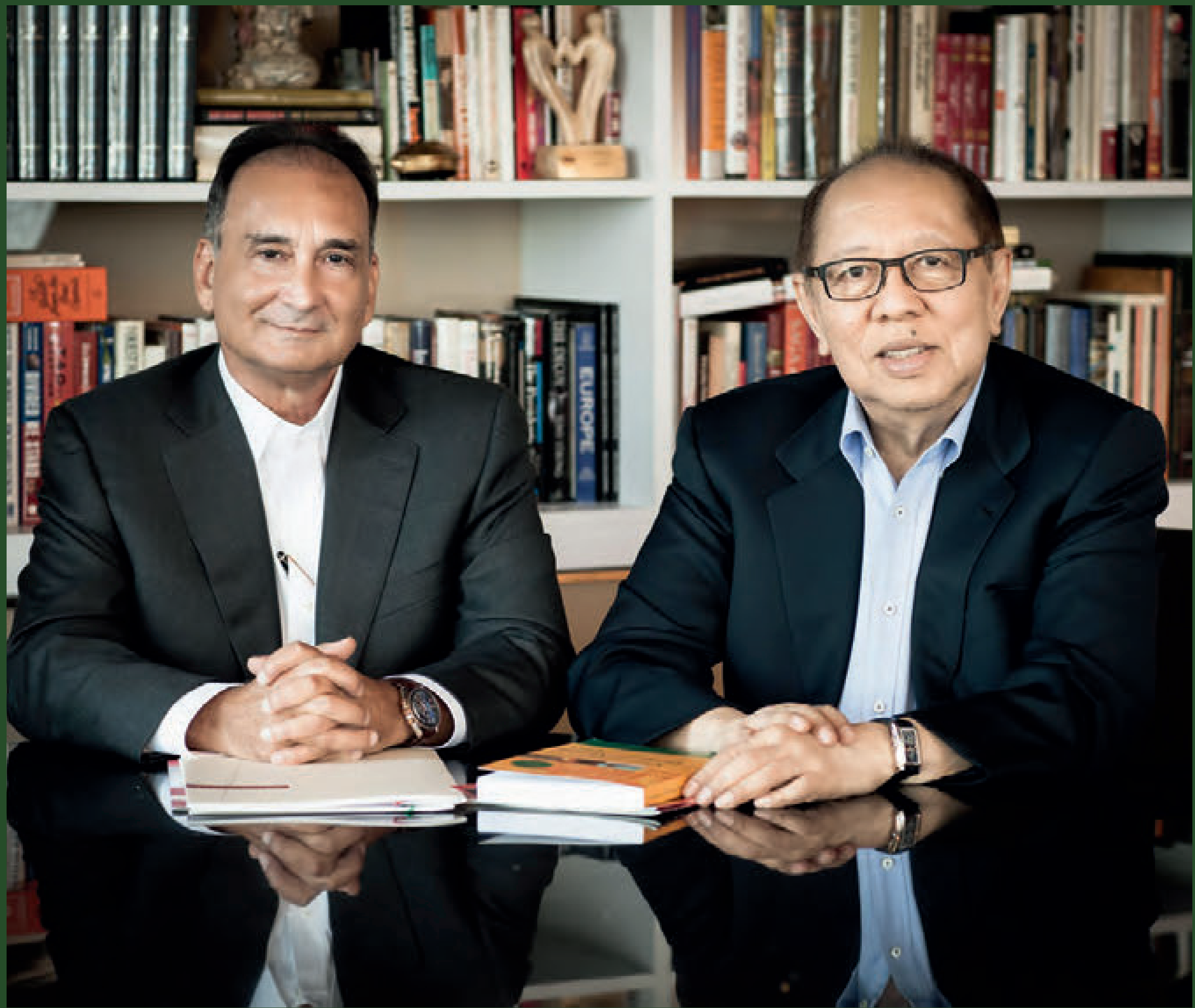
RISK MANAGEMENT OVERSIGHT STRUCTURE



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

JOINT STATEMENT TO SHAREHOLDERS

We are delighted to inform our shareholders that in 2014 we achieved record sales and income due to a confluence of events - primarily the first full year of operations of the new Taganito high-pressure acid leach processing plant under our 22.5%-owned associate, Taganito HPAL Nickel Corp., and significantly higher prices for our ore products following the Indonesia ban on exports of ore.



Manuel B. Zamora, Jr., Chairman (right)
Gerard H. Brimo, President and CEO (left)

OPERATING RESULTS

Shipment volumes from our four operating subsidiaries during the year in review totaled 17.9 million wet metric tons (WMT), a 28% increase from the prior year and a new record. Sales of limonite ore amounted to 12.2 million WMT compared to 10.4 million WMT in 2013, while sales of saprolite ore was 5.8 million WMT as against 3.6 million WMT in the prior year.

The increase in deliveries of limonite ore was the result of much higher sales by our 65%-owned subsidiary, Taganito Mining Corp., to the new Taganito HPAL plant during its first full year of commercial operations, which amounted to 4.0 million WMT as against 470 thousand WMT in 2013 when the plant was being commissioned. Similar to the prior year, about 3.4 million WMT of the same type of ore was also sold by our 60%-owned subsidiary, Rio Tuba Nickel Mining Corp., to the Coral Bay HPAL plant under our 10%-owned associate, Coral Bay Nickel Corp.

Exports of limonite ore consisting primarily of the high-iron variety to Chinese customers of 4.8 million WMT was, however, lower compared to 6.1 million WMT in 2013. As this product is in part used as blending material with iron ore for the production of carbon steel, with its price therefore correlated to iron ore prices, the drop was in response to gradually lower iron ore prices in the second half of 2014.

With respect to sales of saprolite ore, while shipments of high-grade material (nickel grade of 1.7% and above) of 1.2 million WMT remained unchanged from the prior year, sales of medium-grade ore (nickel grade of 1.4% and above) increased significantly due to a surge in demand primarily from Chinese customers as a result of both the export ore ban and the resulting lack of high-grade material. It should be noted that exports from Indonesia prior to the ban were primarily of the high-grade variety desired by Chinese nickel pig iron (NPI) producers using electric furnaces.

Inevitably, the export ore ban led to a surge in prices of various types of nickel ore and, to a lesser extent, to nickel prices quoted in the London Metal Exchange (LME). It should be noted that nickel ore prices reflect the supply and demand of ore from Indonesia and the Philippines to China for its NPI industry. LME prices, on the other hand, reflect the supply and demand of refined nickel. While there is a correlation between both prices, the export ore ban and the speculative frenzy by Chinese ore traders following such disruptive event led to price increases of various types of nickel ore at a multiple above the increase seen in LME prices.

This compelled us to change the pricing mechanism on our sales of saprolite ore to our Japanese customers, which was traditionally linked to LME prices. Effective April 1, 2014, the pricing of saprolite ore to Japan was therefore changed to a negotiated price per WMT of ore, similar to the pricing of ore to China. For the year in review, the average price of our ore exports amounted to $45.10 per WMT compared to $21.28 per WMT in the prior year. With respect to shipments to the two HPAL processing plants under long term contracts, the pricing of which remains linked to the LME, we averaged $7.69 per pound of payable nickel compared to $6.70 per pound of payable nickel in 2013.

The increase in our sales volumes coupled with much higher prices led to a significant increase in our consolidated revenues, from P11.1 billion in the prior year to P24.7 billion in 2014. Included in the figures are revenues derived from services performed by our Rio Tuba and Taganito subsidiaries to the two HPAL plants and the sale of limestone by our Rio Tuba subsidiary, which in total amounted to P1.0 billion in 2014 compared to P787.8 million in the prior year. The average foreign exchange rate received for our sales was P44.03 to US$1.00 compared to P42.75 to US$1.00 in 2013.

Our attributable net income for the year amounted to P8.6 billion or P2.26 per share, as against P2.1 billion or P0.54 per share in the prior year.

NICKEL PRICES

The surge in prices of nickel ore to China after the ore export ban came into effect in January 2014 led to levels that were clearly not sustainable, leading to the inevitable correction in the 2nd half and into 2015. The correction has been particularly pronounced as it became evident that the expected supply deficit as a result of the ban did not materialize during the year in review. This was in part due to the build up of considerable stockpiles of high-grade saprolite ore from Indonesia prior to the ban and the blending of such ore with increased supply of primarily medium-grade ore from the Philippines. Production of stainless steel (about 70% of worldwide nickel output in various forms is used for its production) also dropped in the latter part of 2014 and early 2015 which, coupled with destocking of nickel in China on account of the Qiandao port financing scandal, led to increasing inventories of refined metal in LME warehouses.

Against this backdrop, it should be noted, however, that the Chinese NPI industry has grown to the extent that it currently accounts for about a quarter of the global demand for nickel. This astonishing growth was fueled by increasing production of stainless steel in China, which accounts for over 50% of global supply, and the availability of lateritic nickel ore from Indonesia and the Philippines as feedstock.

The large bulk of nickel ore imports to China in recent years of high-grade saprolite ore from Indonesia is now gone, except for decreasing stockpiles that should be depleted towards the latter part of 2015. While Philippine producers have ramped up production, the increase of mostly medium-grade saprolite ore cannot compensate for the loss of supply from Indonesia. It is now apparent that there will consequently be a drop in NPI production in 2015 and Chinese stainless steel producers will have to source their required nickel elsewhere. Even should global demand for stainless steel remain soft, this should re-balance the market and possibly lead to supply deficits in the years ahead, which most commodity analysts continue to expect.

DOWNSTREAM NICKEL PROCESSING PLANTS

The Taganito HPAL plant, completed in 2013 at a total cost of $1.7 billion, was an unqualified success during its first full year of commercial operations in the year in review. The plant operated at an average 80% capacity, producing 26,318 tonnes of contained nickel and 2,272 tonnes of contained cobalt in sulfide form and generating net income of $32.1 million. Full capacity is expected in 2015 and an expansion to 36,000 tonnes of contained nickel is planned to occur in 2016. Our share of the earnings of the plant amounted to P324.5 million in the year in review, in contrast to our share of the loss of P184.7 million in the prior year during the commissioning of the plant.

The Coral Bay HPAL plant also performed well, producing 24,019 tonnes of contained nickel and 1,822 tonnes of contained cobalt and generating net income of $59.4 million in 2014. During the year in review we obtained a 10% direct equity interest in Coral Bay through a property dividend paid by our Rio Tuba subsidiary. This asset was booked as an investment in an associate, allowing us to recognize our share of its income of P197.9 million during the year in review.

As was mentioned in the prior year's report, two pilot plants were constructed in the Coral Bay plant to test for the recovery of both chromite and scandium, both of which are contained in our ore in small quantities. The results so far indicate that both metals are being recovered. We await the completion of the tests and the determination of the viability of constructing plants for the commercial recovery of those metals.

ECONOMIC AND SOCIAL CONTRIBUTION

For 2014, total taxes and fees paid both to the national and local government units amounted to P7.2 billion, inclusive of consolidated income taxes paid of P4.2 billion. The corresponding figures for the prior year were P2.6 billion and P1.2 billion, respectively. In February 2014, our subsidiary, Taganito Mining Corp., was among four companies recognized by the Large Taxpayers Services unit of the Bureau of Internal Revenue for having achieved a growth in tax payments of over 20%, for having paid over P1 billion in taxes and for its exemplary compliance with tax laws and regulations.

With respect to social expenditures under our subsidiaries' Social Development Management Programs, P90.4 million was spent in 2014 primarily on infrastructure, livelihood projects, health care and educational programs within the host communities of our operations. We also spent P44.9 million during the year in review to assist the residents in the island of Manicani, Eastern Samar, where we have a project on care and maintenance status. The island of approximately 2,500 residents was devastated by typhoon Yolanda in 2013 and there was a dire need for us to respond and assist the residents. The funds were spent on the construction of 500 housing units which have been now fully completed.

In 2014, on the average we employed 6,258 individuals, both full-time and through a number of contractors that we use for various aspects of our operations.

Details of our social, environmental, safety and health programs continue to be covered under a separate **2014 Annual Sustainability Report.** This is the second year that we have commissioned this report under global sustainability guidelines – GR4, to properly document our efforts in the area of sustainable development.

DIVIDENDS

On the basis of the operating results for the year in review, on March 27, 2015 the Board of Directors approved a regular cash dividend of P0.70 per share, consistent with our policy to declare approximately 30% of our income as dividends. A special cash dividend of P0.30 per share in recognition of the increase in our income and cash levels was also approved. The cash dividends were paid on May 11, 2015 to shareholders of record as of April 15, 2015.

The Board of Directors in the same meeting also declared a 100% stock dividend, which will require the approval of shareholders during the forthcoming Annual Meeting on June 5, 2015, and subsequently by the Securities and Exchange Commission prior to establishing the record date.

In the prior year, a regular cash dividend of P0.30 per share was declared by the Board of Directors on March 24, 2014 and paid on May 8, 2014 to shareholders of record as of April 10, 2014. A special cash dividend of P0.50 per share was also declared on November 10, 2014 and paid on December 10, 2014 to shareholders of record on November 24, 2014. During the same meeting, a 50% stock dividend was declared and approved during a special meeting of shareholders on December 18, 2014. The stock dividends were issued on January 28, 2015.

GROWTH AND DIVERSIFICATION

Nickel

In our 8 April 2015 release, we disclosed our intention to acquire Geogen Corp., the holder of a Mineral Production Sharing Agreement on a nickel property in the province of Isabela and, as part of the transaction, the purchase of a 10% equity interest in NIHAO Mineral Resources International, Inc., a publicly traded company with operating rights over the property, subject to due diligence review. As part of the terms, NIHAO will have a 20% net profit interest in the property.

The Isabela property contains about 68 million dry metric tons of both saprolite and limonite ore in the Measured and Indicated category, as computed by SRK Consulting. If the due diligence, which we are currently undertaking, is completed satisfactorily, it is our intention to make this property our 5th mining operation.

Gold and Copper

We continue to pursue opportunities in gold and copper under our 71.25%-owned subsidiary, Cordillera Exploration Co., Inc. (Cordillera). During its 22 April 2015 Board meeting, the Board approved terms of a transaction with Newminco Pacific Mining Corp. (Newminco), which would allow Cordillera to obtain exploration rights over a property in the province of Zambales that is prospective for both gold and copper.

As a result of this transaction, which is currently undergoing documentation review, our partner in Cordillera and one of our major shareholders, Sumitomo Metal Mining Co., Ltd., has indicated its desire to increase its equity in Cordillera to 40% by purchasing new shares for $2.8 million. The documentation for this transaction is also underway. Cordillera also continues to work on the permitting requirements over its tenements in northern Luzon.

Power

Our initial foray into the power generation business started with the execution of a Power Sales Agreement (PSA) with the Surigao del Norte electric cooperative and the construction of an 11 MW diesel power plant designed to alleviate the shortage of power particularly in Surigao city. It should be noted that two of our mining operations are located in the province of Surigao del Norte. The project, at an estimated total cost of about P800 million, is underway and is expected to operational in January 2016.

During the year in review, the Board approved a P446 million one-year loan, convertible to equity at the option of the Company, to Emerging Power Inc. (EPI), the holder of a Service Contract over the Montelago Geothermal field and PSAs with both the Occidental and Oriental Mindoro electric cooperatives to supply up to 40 MW of geothermal power. The purpose of the loan was to finance the drilling of two slim wells and related activities.

The slim wells were completed in March 2015 with target depths and temperatures achieved. On the basis of this favorable result and a new Volumetric Assessment Report from Iceland Geosurvey, the Board of Directors approved the conversion of the loan to equity in EPI corresponding to an initial ownership of 55%. The conversion is pending approval by the Securities and Exchange Commission of the increase in the authorized capital of EPI. The Board also approved an additional equity investment of P474 million, to be invested in stages, which will increase the Company's ultimate ownership in EPI to 66%.

The total project cost of the Montelago geothermal project has been estimated at P8 billion in the assumption that 40 MW of power will ultimately be achieved. The project is being undertaken under a fully owned subsidiary of EPI, and it is expected that overseas investment funds that specialize in renewable energy projects will invest directly in this subsidiary to complete the equity portion of the project, estimated at over P2 billion.

The year in review resulted in record revenues and income, and it also marked our 6th consecutive year of increasing sales volumes.

OUTLOOK

The drop in nickel prices following a surge in the 1st half of 2014 has been most disappointing. We, however, view the various factors that have led to the drop as short term in nature. It is also our view that the loss of lateritic nickel ore from Indonesia will not be easily replaced by other sources, particularly once the stockpiles of high-grade ore in China have been depleted.

We are delighted at the results of the slim wells in the Montelago geothermal project and our decision to invest in EPI. Apart from Montelago, EPI has a number of projects under evaluation using renewable energy sources. It is our intention to grow EPI into a major business unit with exclusive focus on renewable energy.

We have every expectation that our various operations will continue to perform well. All efforts will be exerted to achieve a 7th year of continuous growth in our sales volumes in 2015, while at all times safeguarding the environment and enhancing the quality of life of our host communities, two integral areas of our operations where our efforts have received widespread recognition.

NEW OFFICERS

In the first quarter of 2015, we bid farewell to Mr. Jose Saret, Senior Vice President and Chief Operating Officer, who retired after many years of meritorious service in both our subsidiaries and in our Company. Mr. Jose Anievas, formerly Vice President – Operations at our Taganito subsidiary, who was responsible for the significant expansion in production in order to meet the tonnage requirements of the new Taganito HPAL plant, replaced Mr. Saret.

We also welcome two additional Vice Presidents to our Management team in 2015 - Mr. Augusto Villaluna, a seasoned mining executive, who will supervise our Rio Tuba and Taganito operations, and Mr. Gerardo Ongkingco, an experienced Human Resource (HR) practitioner, who will supervise HR matters within the group companies.

ACKNOWLEDGEMENT

The year in review resulted in record revenues and income, and it also marked our 6th consecutive year of increasing sales volumes. The growth in our output over the years would not have been achieved without the dedication and hard work of a professional team of Officers, Managers and Supervisors, as well as an exemplary labor-management relationship that we have cultivated over many years. Our appreciation goes to all of them.

As always, we acknowledge with gratitude the wisdom and guidance of our Directors throughout this busy year, and we thank our shareholders for their continuing encouragement and support.

Manuel B. Zamora, Jr.
Chairman

Gerard H. Brimo
President & CEO

KEEPING OUR PROMISES

MANICANI THE YEAR AFTER

It's been a year and a half since the island of Manicani was struck by Typhoon Yolanda (International Code name Haiyan) as that howler - considered the strongest typhoon in history ever to make landfall - began on its path of destruction through the eastern and central part of the Philippines.

Manicani, that otherwise serene island all of about 1,000 hectares and 2,500 or so residents, was right smack in Yolanda's path as it made landfall in the Philippines from the Pacific Ocean. And, like Guiuan – the town on the mainland of Samar to which Manicani is incorporated – almost each and every standing structure on the island was ripped apart by the winds. If you wonder how strong those winds were and how loud the noises it made, perhaps the description of a resident will give you an idea: it was like a jet engine that was right next to your ear and going at full blast for three to four hours.

As dawn broke on the morning of November 8, people on the island knew two things: there was not one single casualty from the typhoon in contrast to what would be discovered everywhere else that day especially in the city of Tacloban; and there was much work to be done to get the island back on its feet.

As fate would have it, Manicani is the site of a nickel deposit, and Hinatuan Mining Corporation (HMC), a fully owned subsidiary of Nickel Asia Corporation (NAC), has an MPSA over the deposit. While there has been no operation for some years, the Company continues to conduct care and maintenance activities on the island especially around its campsite and the stockpiles. When Yolanda struck, there was no other company in a better position to swing into action than HMC.

And swing into action it did.

Two months after Yolanda struck, NAC President and CEO Gerard H. Brimo and NAC SVP for Marketing and Strategic Planning Martin G. Zamora surprised the island residents with a promise: NAC-HMC would help rebuild each and every single one of the houses on the island damaged by Yolanda, at no cost to the residents and irrespective of whether the resident was pro- or anti-mining. The last point was significant, because Manicani is home to a very small but very active anti-mining group that continues to object to maximizing the potential of the island's rich resource. The NAC-HMC program in effect would be "color blind".

Just as important, the housing would be transitional – residents insisted on rebuilding where their old houses once stood, which more often than not was not the best place to build a house on an island that is almost always on a typhoon's path. But the residents were adamant and the LGU had yet to identify an ideal place for permanent relocation, so the program was launched with those caveats.

Not surprisingly, over 480 of the 500+ families on the island signed up for the housing program, which was to include "sweat equity" from the residents themselves.

NAC-HMC also pledged to construct a multi-purpose hall in the barangay of Buenavista, the island's biggest barangay, and home to HMC's operations. The multi-purpose hall would serve as an evacuation center and command post for relief operations should that be necessary once more.

To get more of the menfolk active, NAC-HMC then launched a novel community relations program: an island wide basketball tournament pitting the four barangays against each other in both the senior and junior divisions, with unique prizes: for the winning barangay in each division, NAC-HMC would offer cash prizes and a covered basketball court that could serve also other social and cultural purposes. In a country as basketball-crazy as the Philippines, this got the island humming in no time as competitive juices started to flow. Those juices were stirred even more when players from the Manila-based Philippine Basketball Association, the country's pro-basketball league, occasionally graced the games, bringing star power to the competition.

What might be worth stressing here is that HMC is non-operational on Manicani, which mean that all these were expenses to be shouldered by the Company even though it does not earn anything from the island.

`A year and a half after Yolanda, the efforts of HMC and its parent company NAC is visible all over the island. In fact, what is visible all over the island are the efforts of a Company that delivers on its promise.

Fly over the island or walk along its pathways and you will see new houses fresh with paint in colors that reflect the resident's preferences. From the air you will see galvanized iron roofing in bright red or green where only recently you would find broken beams and twisted sheets. More than 500 houses have been built and turned over – even for those who at first refused to accept any help from the Company.

As for the basketball courts, the dearth of construction supplies in the Eastern Visayas region has slowed the pace of construction for the roofed courts and the multi-purpose hall, but the open court of Barangay Banaag – a consolation prize for the only barangay that didn't win a covered court – is almost 100% complete. Barangay San Jose won a covered court for being champions in the Junior division, while Barangay Hamorawon won a covered court despite coming in second to Buenavista in the seniors division because the Buenavista team generously decided to give up their prize since they were already receiving a multi-purpose hall. (Of course they didn't give up their cash prize!)

A year and a half and nearly P50 Million in expenditures later, the color is back in Manicani – thanks to a Company that delivers on its promise.

SUMMARY OF ORE RESERVES AND RESOURCES

TOTAL ORE RESERVES (1) As of December 31, 2014

Operation	Mineral Type	Classification	Tonnes (kwmt)	Tonnes (kdmt)	%Ni	%Fe	Contained Ni (kt)
Rio Tuba	Saprolite	Proved and Probable	21,271	13,840	1.50	14.07	208
	Limonite	Proved and Probable	48,627	33,896	1.19	36.57	404
Taganito	Saprolite	Proved and Probable	58,170	40,648	1.50	9.77	610
	Limonite	Proved and Probable	139,320	93,364	1.06	45.64	990
Cagdianao	Saprolite	Proved and Probable	28,822	18,838	1.50	12.83	283
	Limonite	Proved and Probable	29,254	19,522	1.19	33.82	232
Hinatuan	Saprolite	Proved and Probable	7,137	4,648	1.50	12.40	70
	Limonite	Proved and Probable	13,256	8,638	.99	46.84	86
Total Reserves	Saprolite	Proved and Probable	115,400	77,974	1.50	11.43	1,170
	Limonite	Proved and Probable	230,457	155,420	1.10	42.24	1,711

This summary was prepared by Engr. Jose S. Saret, who until March 31, 2015 was the 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 has given his consent to the Public Reporting of this statement concerning Ore Reserve Estimation.

TOTAL ORE RESERVES (1) (2) As of December 31, 2014

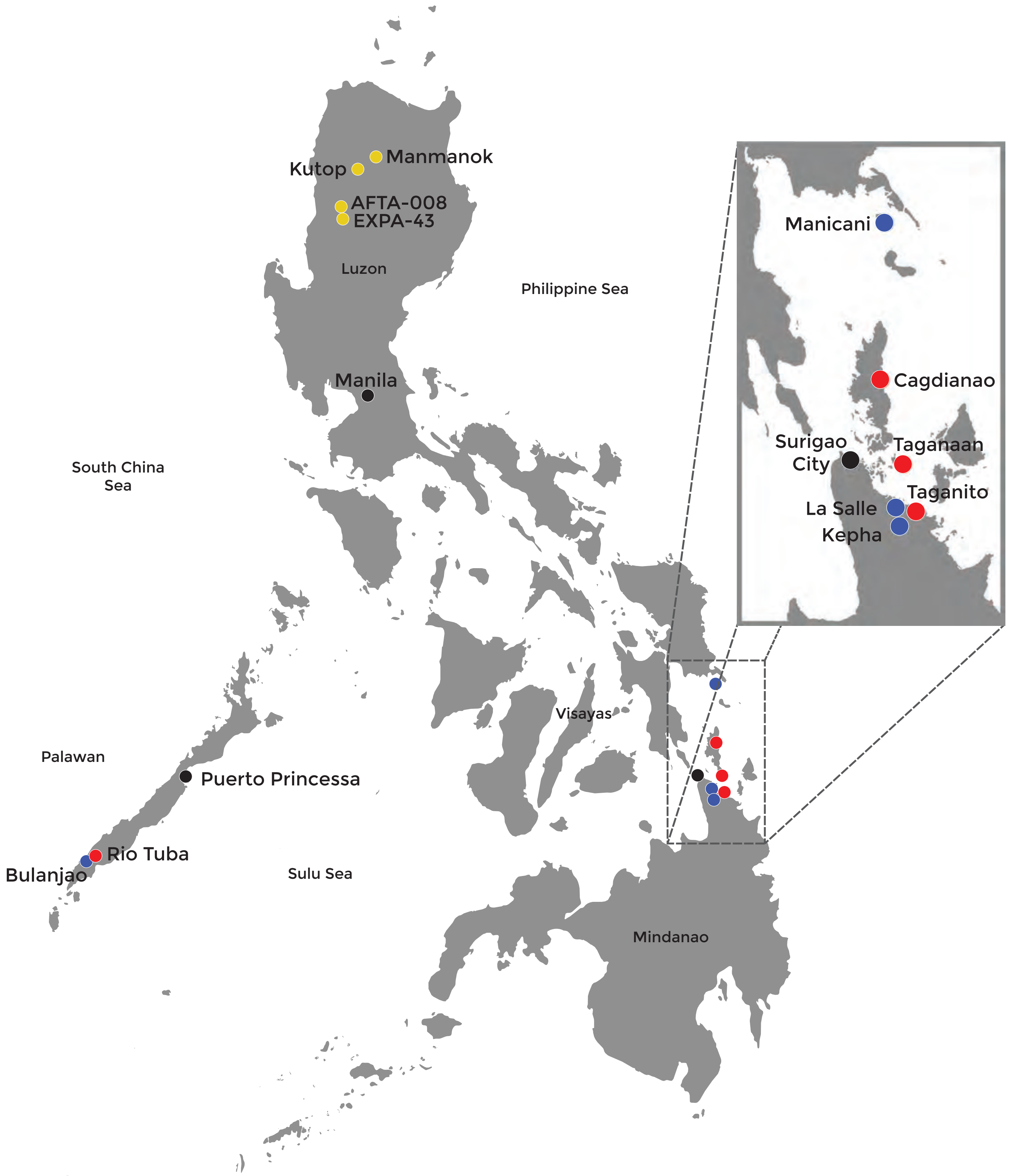
Operation	Mineral Type	Classification	Tonnes (kwmt)	Tonnes (kdmt)	%Ni	%Fe	Contained Ni (kt)
Rio Tuba	Saprolite	Measured and Indicated	30,079	18,564	1.53	13.11	284
	Limonite	Measured and Indicated	52,492	36,409	1.21	36.55	442
	Saprolite	Inferred	19,374	12,174	1.43	11.62	174
	Limonite	Inferred	6,817	4,741	1.25	36.45	59
Taganito	Saprolite	Measured and Indicated	58,170	40,648	1.67	9.77	679
	Limonite	Measured and Indicated	139,320	93,364	1.06	45.64	990
	Saprolite	Inferred	4,248	2,944	1.58	11.65	47
	Limonite	Inferred	152	102	0.68	41.00	1
Cagdianao	Saprolite	Measured and Indicated	29,749	19,337	1.49	12.68	288
	Limonite	Measured and Indicated	30,987	20,142	1.14	38.08	230
	Saprolite	Inferred	4,225	2,746	1.42	14.14	39
	Limonite	Inferred	982	638	1.33	30.01	8
Hinatuan	Saprolite	Measured and Indicated	7,706	5,157	1.38	11.63	71
	Limonite	Measured and Indicated	17,593	11,831	0.99	47.00	117
	Saprolite	Inferred	1,705	1,143	1.31	11.16	15
	Limonite	Inferred	2,672	1,785	1.00	46.81	18
Total Resources	Saprolite	Measured and Indicated	125,704	83,706	1.58	11.30	1,322
	Limonite	Measured and Indicated	240,392	161,746	1.10	42.75	1,778
	Saprolite	Inferred	29,552	19,007	1.44	11.96	275
	Limonite	Inferred	10,623	7,266	1.19	38.49	86

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

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

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

Rio Tuba	Saprolite: ≥ 0.80% Ni;	Limonite High Fe: < 0.80% Ni, > 44.00% Fe	Limonite HPAL: ≥ 0.80% Ni, ≥ 20.00% Fe
Taganito	Saprolite: ≥ 1.22% Ni, < 20.00% Fe;	Limonite High Fe: 0.01% Ni < x < 0.08% Ni, ≥ 48.00% Fe	Limonite HPAL: ≥ 0.80% Ni, ≥ 20.00% Fe
Cagdianao	Saprolite: ≥ 1.00%Ni, ≤ 20%Fe;	Limonite High Fe: regardless of %Ni, > 20.00% Fe	
Taganaan	Saprolite: ≥ 1.00%Ni, ≤ 20%Fe;	Limonite High Fe: regardless of %Ni, > 20.00% Fe	



LEGEND
- Operating Mines
- Exploration Projects - Nickel
- Exploration Projects - Gold
- Major Cities

MAP OF MINERAL PROPERTIES

REVIEW OF OPERATIONS

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

Mining Volume

The volume of ore mined for the year amounted to 3,361,166 WMT, consisting of 2,190,463 WMT of saprolite ore and 1,170,703 WMT of limonite ore. Stripping volume for the year amounted to 18,572 WMT.

RTN also retrieved 983,157 WMT of saprolite ore and 3,415,164 WMT of limonite ore from stockpiles to meet the budgeted annual saprolite shipment volume and to provide limonite ore feed to the Coral Bay Nickel Corporation (CBNC) HPAL facility, respectively. Consequently, RTN's year-end limonite ore stockpile inventory amounted to 12,089,569 WMT. Furthermore, 864,520 WMT of oversized materials were recovered from ore delivered to the plant, which can be utilized for 1.35%Ni saprolite ore shipments.

Shipments

RTN sold a total of 5,972,388 WMT of nickel ore in 2014. High-grade saprolite ore totalling 308,529 WMT and medium-grade saprolite ore totalling 608,728 WMT were sold to Pacific Metals Co., Ltd. (PAMCO) and Sumitomo Metal Mining Co., Ltd. (SMM). The average price for these shipments was US$ 51.12 per WMT.

In addition, medium-grade saprolite ore totalling 1,353,255 WMT were sold to Chinese customers at an average price of US$ 45.11 per WMT. Limonite high-iron ore totalling 319,050 WMT were likewise sold to Chinese customers at an average price of US$ 21.46 per WMT.

For CBNC related activities, HPAL-grade limonite ore (approximately 1.20%Ni) totalling 3,382,826 WMT was delivered to the Coral Bay HPAL facility. The realized LME nickel price for this tonnage averaged US$ 7.67 per pound. In addition, 384,940 WMT of crushed limestone was sold to CBNC while 44,039 WMT was sold to Unichamp Mineral Philippines Inc. (UMPI), which started its operation in the second half of the year. A variety of services such as handling and hauling of materials and supplies for CBNC were also undertaken during the year.

	2014	2013	2012
Tonnage Mined (In WMT)			
Saprolite	2,190,463	1,491,877	2,031,150
Limonite	1,170,703	1,532,890	2,355,534
Sales Data			
Saprolite - Japan (WMT)	917,257	376,176	480,976
Average nickel grade	1.59%	1.73%	1.80%
Average price (per WMT)	US$ 51.12	US$ 30.19	US$ 41.06
Saprolite - China (WMT)	1,353,255	1,352,072	1,793,848
Average nickel grade	1.48%	1.50%	1.57%
Average price (per WMT)	US$ 45.11	US$ 13.73	US$ 24.03
Limonite - China (WMT)	319,050	640,901	-
Average nickel grade	0.85%	0.84%	-
Average price (per WMT)	US$ 21.46	US$ 19.72	-
Limonite - CBNC (WMT)	3,382,826	3,405,281	3,351,554
Average nickel grade	1.20%	1.21%	1.26%
Average payable nickel	7.16%	6.68%	6.16%
Average realized LME price (per pound)	US$ 7.67	US$ 6.78	US$ 8.02

TAGANITO MINING CORPORATION (TMC - 65% Owned)

Mining Volume

The volume of ore mined for the year amounted to 6,018,699 WMT consisting of 2,268,154 WMT of saprolite ore and 3,750,545 WMT of limonite ore. Of the total limonite mining volume, 797,996 WMT was allocated for shipments to China and 2,952,549 WMT for the Taganito HPAL (THPAL) plant.

In addition, 2,299,114 WMT of limonite ore, for sale to THPAL, was retrieved from old stockyards to laydown areas.

Capitalizing on strong nickel prices this year and with minimal alteration in the production plan, TMC was able to add 6 more saprolite (1.4-1.7%Ni grade) shipments, increasing the total number of shipments from 52 to 58.

Shipments

TMC sold a total of 7,087,681 WMT of nickel ore, an increase of 82% compared to last year's volume of 3,893,150 WMT.

For ore exports to Japan and China, 58 shipments were completed, equivalent to 3,064,327 WMT. A total of 655,919 WMT saprolite ore was sold to PAMCO at an average price

of US$ 63.83 per WMT. On the other hand, 1,610,412 WMT of saprolite ore and 797,996 WMT of limonite ore were sold to Chinese customers at an average price of US$ 60.46 per WMT and US$ 26.73 per WMT, respectively.

The growth in ore sales volume in 2014 was the result of limonite ore deliveries to THPAL during its first full year of commercial operation. HPAL-grade limonite ore (approximately 1.00 %Ni) totalling 4,023,354 M WMT was delivered to the THPAL facility. The realized LME nickel price for this tonnage averaged US$ 7.71 per pound.

	2014	2013	2012
Tonnage Mined (In WMT)			
Saprolite	2,268,154	1,325,051	1,099,326
Limonite	3,750,545	4,295,332	2,675,380
Sales Data			
Saprolite - Japan (WMT)	655,919	445,012	649,714
Average nickel grade	1.69%	1.76%	1.82%
Average price (per WMT)	US$ 63.83	US$ 34.78	US$ 45.16
Saprolite - China (WMT)	1,610,412	971,576	1,021,709
Average nickel grade	1.54%	1.62%	1.61%
Average price (per WMT)	US$ 60.46	US$ 17.31	US$ 24.43
Limonite - China (WMT)	797,996	1,602,333	710,090
Average nickel grade	0.98%	0.93%	1.02%
Average price (per WMT)	US$ 26.73	US$ 21.63	US$ 26.64
Limonite - THPAL (WMT)	4,023,354	874,229	-
Average nickel grade	1.00%	1.05%	-
Average payable nickel	6.17%	5.89%	-
Average realized LME price (per pound)	US$ 7.71	US$ 6.33	-

HINATUAN MINING CORPORATION (HMC - 100% Owned)

Mining Volume

The volume of ore mined for the year amounted to 3,782,884 WMT, consisting of 255,521 WMT of saprolite ore and 2,691,357 WMT of limonite ore. Stripping volume for the year amounted to 471,307 WMT of low grade in-situ materials such as topsoil, boulders and other waste materials which were used for rehabilitation and other environmental projects.

Shipments

HMC sold a total of 3,462,944 WMT of nickel ore in 2014. 3,148,861 WMT of low-grade limonite ore was sold at an average price of US$ 29.30 per WMT while saprolite ore sales totalled 314,083 WMT at an average price of US$ 71.95 per WMT, both for Chinese customers.

HMC's original budget of 3 saprolite shipments for 2014 was increased to 6 due to the much higher international market price of such material compared to 2013. Likewise, with the increasingly high demand for limonite ore, the originally planned number of limonite shipments increased from 50 to 58.

	2014	2013	2012
Tonnage Mined (In WMT)			
Saprolite	255,521	212,837	30,316
Limonite	3,056,056	2,691,357	2,291,109
Sales Data			
Saprolite - China (WMT)	314,083	99,043	-
Average nickel grade	1.58%	1.73%	-
Average price (per WMT)	US$ 71.95	US$ 29.05	-
Limonite - China (WMT)	3,148,861	3,342,936	2,636,698
Average nickel grade	0.88%	0.84%	0.85%
Average price (per WMT)	US$ 29.30	US$ 23.15	US$ 25.94

CAGDIANAO MINING CORPORATION (CMC - 100% Owned)

Mining Volume

The volume of ore mined for the year amounted to 1,093,984 WMT, consisting of 966,559 WMT of saprolite ore and 127,425 WMT of limonite ore. Stripping volume for the year amounted to 516,248 WMT.

Shipments

CMC sold a total of 1,350,299 WMT of nickel ore in 2014. The installation of the in-pit crusher (MMD sizer) in July 2014 made a significant improvement in the quality of the ore materials sold to PAMCO and Australia in terms of size specification. Said equipment added 300 tons per hour beneficiation capacity to the existing beneficiation equipment such as the vibrating screen and mobile crusher. By next year, further improvement related to the MMD sizer feeding system will increase its beneficiation capacity to 500 tons per hour.

A total of 249,605 WMT of high-grade saprolite ore was sold to PAMCO at an average price of US$ 98.60 per WMT. 55,601 WMT of high-grade saprolite and 584,399 WMT of medium-grade saprolite ore were sold to Chinese customers at an average price of US$ 98.60 and US$ 61.70 per WMT, respectively. Medium-grade limonite ore with a total of 302,297 WMT was likewise sold to Chinese customers at an average price of US$ 37.09 per WMT.

158,397 WMT of medium-grade limonite ore was sold to Australia at an average price of US$ 28.45 per WMT.

	2014	2013	2012
Tonnage Mined (In WMT)			
Saprolite	966,559	426,458	545,775
Limonite	127,425	166,853	361,608
Sales Data			
Saprolite - Japan (WMT)	249,605	199,676	182,730
Average nickel grade	1.80%	1.82%	1.82%
Average price (per WMT)	US$ 98.60	US$ 33.84	US$ 42.55
Saprolite - China (WMT)	640,000	150,607	107,603
Average nickel grade	1.55%	1.76%	1.55%
Average price (per WMT)	US$ 64.91	US$ 29.92	US$ 16.09
Limonite - China (WMT)	302,297	538,549	795,279
Average nickel grade	1.22%	1.37%	1.52%
Average price (per WMT)	US$ 37.09	US$ 10.67	US$ 21.91
Limonite - Australia (WMT)	158,397	-	-
Average nickel grade	1.25%	-	-
Average price (per WMT)	US$ 28.45	-	-

REVIEW OF EXPLORATION

NICKEL

RTN

Development drilling was focused on the Umawi area which is still part of the existing MPSA. For the development drilling, a total of 108 holes equivalent to 667.45 meters were completed.

Development drilling resulted in the upgrading of 0.3 million WMT of ore (composed of 0.2 million WMT of saprolite and 0.1 million WMT of limonite ore) previously classified as inferred mineral resource to measured & indicated resource category.

The renewal and conversion of the expired Mining Lease Contract into a MPSA on the Bulanjao property has not been completed. The Strategic Environmental Plan (SEP) clearance by the Palawan council for sustainable Development was only approved last December, 2014. Partial drilling conducted in the past has resulted in measured and indicated mineral resources of 19 million WMT of limonite ore with average grades of 1.24% Ni and 35.5% Fe and 11.1 million WMT of saprolite ore with an average grade of 1.77% Ni. Further drilling will be undertaken upon the issuance of the MPSA.

TMC

Exploration of Kepha Mining Exploration Company Claim (KMEC), located southwest of TMC's MPSA, started 2013 and is now on its second year. The KMEC claim is an expansion project of TMC, expected to provide additional source of ore for the HPAL plant. For this year, exploration activities were still focused on the northeastern part of Kepha claim.

Exploration activities included reconnaissance survey, test-pitting and mechanized drilling. Initial exploration activities such as mapping and surface sampling started in July. For this year, a total of 900 hectares was covered by reconnaissance survey and twelve test pits measuring 1m x 1m on the surface at 300m x 300m grid interval were excavated for further studies. Based on the initial results of test pitting, infill drilling was carried out in test pits which showed favorable results. A total of 42 drillholes in between test pits at 100m x 100m interval were completed for 2014.

Exploration drilling resulted in the blocking of additional 1.65 million WMT of limonite ore with average grades of 1.02% Ni and 43.62% Fe at an indicated level, and 0.58 million WMT of saprolite ore with an average grade of 1.49% Ni and 12.68% Fe, in the inferred mineral resource category.

To date, initial resource estimates based on 103 drilled locations covering 2013 and 2014 drilling activities on the claim, blocked 3.76 M of limonite ore with an average grade of 1.00 % Fe and 41.88% Fe in the indicated category and 2.02 M WMT of saprolite ore with average of 1.62% Ni in the inferred category.

By the end of November, exploration activities were temporarily stopped in anticipation of the rainy season. Excavated test pits and drillhole locations were then backfilled, re-contoured, compacted and planted with wildlings. Exploration activities will continue in 2015 particularly at the southern to southwestern part of the claim.

Relative to the exploration activities is the implementation of the Community Development Project (CDP). This included the improvement of perimeter fence of Camam-onan Elementary school, provision of uniforms for barangay officials, water system materials, one (1) set desk top computer, and support to socio-cultural activities for Brgy. Camam-onan. Other CDP projects are the provision of construction materials for Capangdan IP community learning center and construction of entrance gate for Taganito IP community.

CMC

Valencia Active Mine Pit
Drilling activities were focused at the MPO area of the Valencia mine pit. A total of 240 drill holes, at 10m x 10m spacing, equivalent to 3,388.6 meters were completed for the year.

Southwest Valencia
Exploration drilling was conducted at the southwest portion of the Valencia tenement in 2012, following a grid spacing of 100 meters by 100 meters. Based on the drillhole data, the limonite grade averages 1.21% Ni and 41.83% Fe having an average thickness of seven meters. Saprolite, on the other hand has an average grade of 1.39% Ni and 14.59% Fe with an average thickness of three meters. Further exploration drilling of the area still needs to be done to confirm the data obtained from the initial drilling results.

Boa
The Boa area is covered by a separate MPSA and is contiguous to the Valencia mining tenement. Due to the delayed issuance of the tenement's permit for extension of exploration period, there were still no exploration activities conducted in the area. Other exploration activities in the form of geologic mapping to find chromite in commercial quantities will be carried out as soon as the permit is granted.

GOLD AND COPPER

**Cordillera Exploration Co., Inc.
(CExCI - 71.25% Owned)**

CEXCI has an approved Exploration Permit (EP) over the Manmanok Property in Apayao Province, an application for EP over the Kutop Property in the province of Abra, and an application for Financial and Technical Assistance Agreement (FTAA) over the Mankayan Property, within the adjoining provinces of Benguet, Ilocos Sur and the Mountain Province.

Work conducted within the year centered on advancing the tenements over these northern properties. Evaluation of property submittals, as well as generating and/or identifying other highly prospective Gold-Copper properties for geological assessment with the aim of possible acquisition/ joint venture, also became a priority for the company.

Manmanok
The Manmanok property, located within the Municipality of Conner, Apayao Province, is covered by an EP first granted in October 2006, and subsequently renewed twice with a final total area of approximately 4,996 hectares. Following the second renewal in April 2011, a Stage 1 exploration program was planned and implemented. The plan consisted of detailed mapping and sampling, a reinterpretation of previous geophysical and geochemical data, followed by scout diamond drilling over areas surrounding the central argillic zone.

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

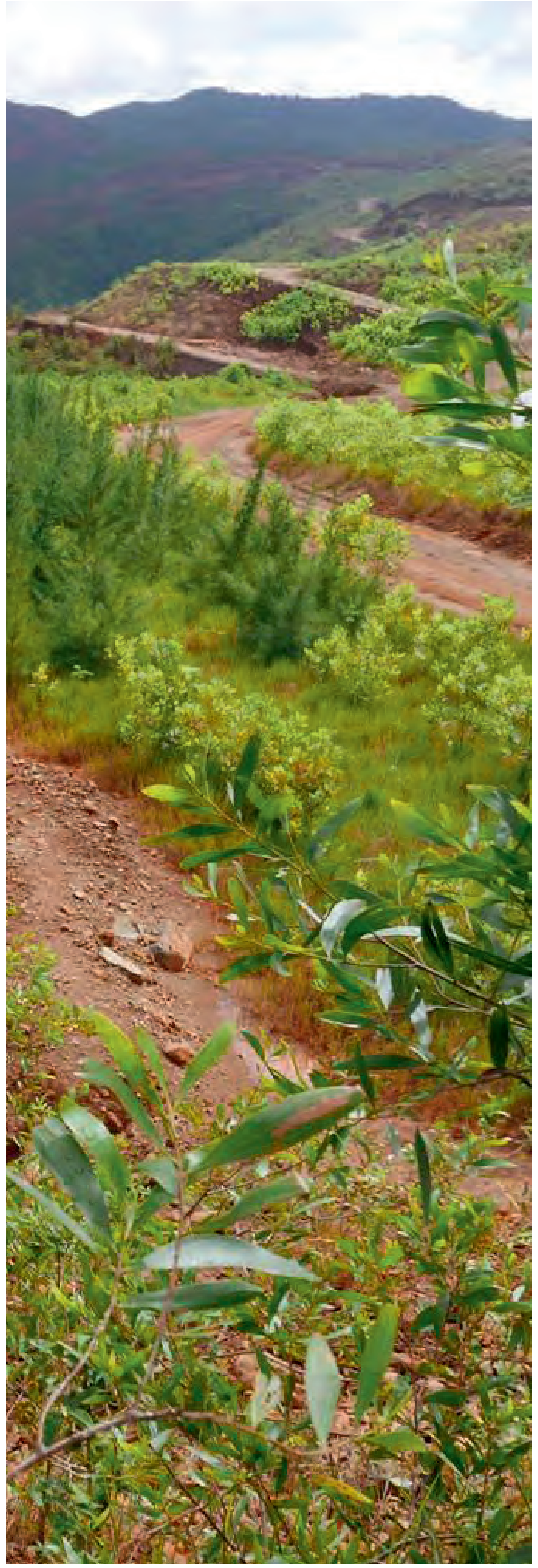
Priority activities in the project area for the year included: a) care and maintenance of the Mapaoay Camp; b) compliance activities on the reportorial requirements on the project by the government; and c) farm out Manmanok property or enter into joint venture (JV) with other parties for the continuation of project.

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

Kutop
The Kutop property is located within the municipalities of Malibcong and Daguioman in the Province of Abra, and the municipality of Balbalan in the Province of Kalinga. The property, with a total area of 13,268 hectares, is covered by an application for EP.

CExCI is now in the process of having the Work and Financial Plan (WFP) for the conduct of field-based investigations (FBI) approved. This is a requisite for the start of the Free Prior and Informed Consent (FPIC) process prior to the granting of the Certificate of Precondition from the National Commission on Indigenous Peoples (NCIP), which is in turn a requisite for the granting of the Exploration Permit. In April 2013, a revision of the WFP was requested by the NCIP CAR Regional Director. By mid-2014, it was finally arranged that NCIP Abra will revise the said WFP, and that the revision will be in consonance with the "The Revised Guidelines on FPIC and Related Processes of 2012".

Mankayan
The Mankayan Property is located within two regions, the Cordillera Administrative Region (CAR) and Region I, and principally consists of a FTAA application covering 77,549



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

Upon close review of the "Revised Guidelines on FPIC and Related Processes of 2012", however, it was learned that two sections of the new guidelines would hamper the progress of the NCIP-required activities. It had then been necessary to amend the exploration permit application, and consequently separate the application according to regional boundaries. As of this writing, the processes to amend EPA-116 at MGB CAR and at MGB Region 1 are underway.

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, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Manuel B. Zamora Jr.
Chairman of the Board

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President/Chief Financial Officer

Signed this 27th day of March 2015

INDEPENDENT AUDITORS' REPORT

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

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Nickel Asia Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nickel Asia Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 4751289, January 5, 2015, Makati City

March 27, 2015

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings per Share)

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱11,008,119**	₱2,586,436	₱3,120,300
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:			
Share in translation adjustment of associates (Note 11)	**(54,876)**	307,900	(268,299)
Income tax effect	**(3,171)**	(30,790)	13,139
	(58,047)	277,110	(255,160)
Net valuation gains on AFS financial assets (Note 7)	**96,806**	45,679	66,910
Income tax effect (Note 7)	**(22,649)**	(15,636)	(16,048)
	74,157	30,043	50,862
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	**16,110**	307,153	(204,298)
Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:			
Remeasurement gain (loss) on pension liability (Note 32)	**62,960**	(149,686)	92,417
Income tax effect	**(18,888)**	44,906	(27,725)
	44,072	(104,780)	64,692
Asset revaluation surplus	**(547)**	(547)	(547)
Income tax effect	**164**	164	164
	(383)	(383)	(383)
Net other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods	**43,689**	(105,163)	64,309
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	**59,799**	201,990	(139,989)
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱11,067,918**	₱2,788,426	₱2,980,311
Total comprehensive income attributable to:			
Equity holders of the parent	**₱8,592,028**	₱2,292,064	₱2,035,344
NCI	**2,475,890**	496,362	944,967
	₱11,067,918	₱2,788,426	₱2,980,311

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings				
	Capital Stock (Note 17)	Stock Dividends Distributable (Note 17)	Additional Paid-in Capital	Cost of Share-based Payment Plan (Note 18)	Net Valuation Gains on AFS Financial Assets (Note 7)	Share in Cumulative Translation Adjustment (Note 11)	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 17)	Total	NCI	Total
Balances at December 31, 2013	**₱1,266,780**	**₱–**	**₱8,151,603**	**₱49,524**	**₱99,506**	**₱140,201**	**₱33,629**	**₱9,748,905**	**₱1,000,000**	**₱20,490,148**	**₱4,721,640**	**₱25,211,788**
Net income	–	–	–	–	–	–	–	**8,551,627**	–	**8,551,627**	**2,456,492**	**11,008,119**
Other comprehensive income (loss)	–	–	–	–	**71,816**	**(58,047)**	**(383)**	**27,015**	–	**40,401**	**19,398**	**59,799**
Total comprehensive income (loss)	–	–	–	–	**71,816**	**(58,047)**	**(383)**	**8,578,642**	–	**8,592,028**	**2,475,890**	**11,067,918**
Cost of share-based payment plan (Note 18)	–	–	–	**43,000**	–	–	–	–	–	**43,000**	–	**43,000**
Cash dividends (Note 17)	–	–	–	–	–	–	–	**(2,021,727)**	–	**(2,021,727)**	–	**(2,021,727)**
7% Cash dividends - Preferred share	–	–	–	–	–	–	–	**(504)**	–	**(504)**	–	**(504)**
Stock dividends (Note 17)	–	**632,648**	–	–	–	–	–	**(632,648)**	–	–	–	–
Exercise of stock options (Note 18)	**5,715**	–	**122,052**	**(45,464)**	–	–	–	–	–	**82,303**	–	**82,303**
Share of NCI in cash dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	**(3,480,815)**	**(3,480,815)**
Asset revaluation surplus transferred to retained earnings	–	–	–	–	–	–	–	**383**	–	**383**	–	**383**
Balances at December 31, 2014	**₱1,272,495**	**₱632,648**	**₱8,273,655**	**₱47,060**	**₱171,322**	**₱82,154**	**₱33,246**	**₱15,673,051**	**₱1,000,000**	**₱27,185,631**	**₱3,716,715**	**₱30,902,346**

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

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

See accompanying Notes to Consolidated Financial Statements.

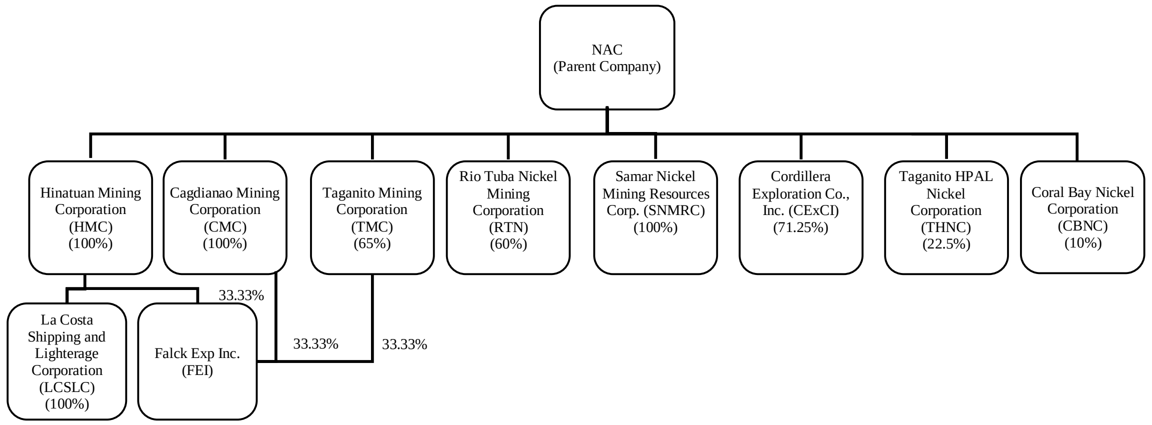
NICKEL ASIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Number of Shares, per Share Data and as Indicated)

1. **Corporate Information**

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

On November 22, 2010, the Parent Company was listed on the Philippine Stock Exchange (PSE) with an initial public offering (IPO) of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱5.33 per share after the stock dividends (see Note 17).

Parent Company Ownership Map



On March 24, 2014 and June 6, 2014, the Board of Directors (BOD) of the Parent Company and its stockholders, respectively, approved the amendment of its Articles of Incorporation to reflect the change in its principal office address from 6th floor, NAC Centre, 143 Dela Rosa Street, Legaspi Village, Makati City to NAC Tower 32nd Street, Bonifacio Global City, Taguig. The amendment of the Parent Company's Articles of Incorporation was approved by the SEC on August 15, 2014.

The Subsidiaries

HMC

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

CMC

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

TMC

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

RTN

RTN was registered with the SEC on July 15, 1969, is a sixty percent (60%) owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan and providing non-mining services required in the processing operations of CBNC. The registered office address of RTN is at 29th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig.

FEI

FEI was registered with the SEC on November 22, 2005, is an eighty-eight percent (88%) owned subsidiary of the Parent Company through HMC, CMC and TMC, and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going-concern to liquidation basis of accounting. Final dissolution will take place after the approval of FEI's application with the SEC. The registered office address of FEI is at 3rd floor NAC Centre, 143 Dela Rosa corner Adelantado Streets, Legaspi Village, Makati City.

LCSLC

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

SNMRC

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

CExCI

CExCI was registered with the SEC on October 19, 1994, is a seventy-one percent (71%) owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Executive Order (EO) 79
On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national Government and local Government units. Management believes that EO 79 has no major impact on its current operations since the operating subsidiaries and mines are covered by existing Mineral Production Sharing Agreement (MPSA) with the Government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant.

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

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instrument and AFS financial assets which are measured at fair value and inventories which are measured at net realizable value (NRV). The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Parent Company and its subsidiaries (collectively referred to as the Group) determines its own functional currency and items included in the financial statements of each entity are measured using that functional and presentation (or reporting) currency. The functional currency of the entities in the Group is also the Philippine peso. All amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

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

	Principal Place of Business	Principal Activities	Effective Ownership 2014	2013
Subsidiaries				
HMC	Philippines	Mining and Services	**100.00%**	100.00%
CMC	Philippines	Mining	**100.00%**	100.00%
SNMRC	Philippines	Mining	**100.00%**	100.00%
LCSLC*	Philippines	Services	**100.00%**	100.00%
FEI*	Philippines	Mining	**88.00%**	88.00%
CExCI	Philippines	Mining	**71.25%**	71.25%
TMC	Philippines	Mining and Services	**65.00%**	65.00%
RTN	Philippines	Mining and Services	**60.00%**	60.00%
Associates				
THNC	Philippines	Manufacturing	**22.50%**	22.50%
CBNC*	Philippines	Manufacturing	**10.00%**	6.00%

*Direct and indirect ownership

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

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The Group continues to present financial assets and financial liabilities at gross since the management has assessed that offsetting arrangements are not mandatory.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of the amendments has no material impact on the disclosures in the consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement* - *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact as the Group has not novated its derivatives during the current or prior period.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosures of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief. It is not expected that these amendments would be relevant to the Group since none of the entities would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

<u>New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014</u>
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

Effective Date to be Determined

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

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

Effective January 1, 2015:

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

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

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

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Effective January 1, 2016:

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any impact since the Group has no service contracts.

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

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

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

Effective January 1, 2018:

- PFRS 9, *Financial Instruments - Hedge Accounting* and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Summary of Significant Accounting Policies

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in Philippine peso at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at each end of the reporting period. All differences are taken to consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to "Other income (charges) - net" in the consolidated statement of income.

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

consolidated statement of income is translated at the monthly average exchange rates for the year. The exchange differences arising on the translation is recognized in OCI. Upon disposal of such associate, the component of OCI relating to that particular foreign operation will be recognized in the consolidated statement of income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

The Group classifies all other assets as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The Group's financial liabilities are in the nature of other financial liabilities. The Group has no financial liabilities classified as at FVPL and derivatives designated as hedging instruments in an effective hedge as at December 31, 2014 and 2013.

Fair Value Measurement
The Group measures financial instruments, such as AFS financial assets and derivative financial instrument, at fair value at each end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Group's loans and receivables include "Cash and cash equivalents", "Trade and other receivables", short-term cash investment which is under "Prepayments and other current assets", and cash held in escrow, mine rehabilitation fund (MRF), Social Development Management Program (SDMP) fund and long-term negotiable instrument which are included under "Other noncurrent assets" (see Notes 4, 5, 8 and 13).

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

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

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

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

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

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

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

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

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

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

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

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

The carrying amount of the assets is reduced through the use of an allowance account and the amount of loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Finance income" in the consolidated statement of income. Loans, together with the associated allowance, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

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

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

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

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

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

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

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

Derecognition of Financial Instruments
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

Embedded Derivatives
An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized at FVPL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in consolidated profit or loss.

After initial recognition, the Group measures the derivative assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such equity instruments, which shall be measured at cost.

<u>Inventories</u>
Inventories, excluding the long-term stockpile inventory, are valued at the lower of cost and NRV. Cost is determined by the average production cost during the year for beneficiated nickel and limestone ore exceeding a determined cut-off grade. The NRV of beneficiated nickel and limestone ore inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

For materials and supplies, cost is determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. The NRV of materials and supplies is the current replacement cost. Any provision for inventory losses is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

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

<u>Prepayments and Other Current Assets</u>
Prepayments and other current assets include short-term cash investment, input tax, tax credit certificates, derivative asset, advances and deposits and various prepayments which the Group's expects to realize or consume the assets within twelve (12) months after the end of the reporting period.

Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations and is included under "Prepayments and other current assets", which can be recovered as tax credit against future tax liability of the Group. "Output VAT" represents indirect taxes passed on by the Group resulting from sale of good and services and other income, as applicable, and as required under Philippine taxation laws and regulations. Input VAT on capitalized assets subject to amortization and any excess which (1) may be utilized against output VAT, if any, beyond twelve (12) months from the end of the reporting period or (2) are being claimed for refund or as tax credits with the Court of Tax Appeals which are presented as part of "Other noncurrent assets" in the consolidated statement of financial position. Input VAT is stated at its estimated NRV.

<u>Property and Equipment</u>
Except for land, property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion and accumulated impairment loss. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is stated at cost less any impairment in value.

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

Category	Number of Years
Land improvements	5
Machinery and equipment	2-15
Buildings and improvements	2-25

Mining properties and development costs include the capitalized cost of mine rehabilitation and decommissioning and other development cost necessary to prepare the area for operations. Depletion of mining properties and development costs is calculated using the unit-of-production method based on the estimated economically recoverable reserves to which they relate to or are written-off if the property is abandoned. Development costs are depreciated using the straight-line method over the estimated useful life of the asset of twenty (20) years to thirty (30) years.

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

Depreciation, amortization and depletion of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, or in case of mining properties, from start of commercial operations upon extraction of ore reserves. Depreciation, amortization and depletion ceases when the assets are fully depreciated, amortized or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The assets' estimated recoverable reserves, residual values, useful lives and depreciation, amortization and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. These are reviewed and adjusted, if appropriate, at each end of the reporting period. If there is an indication that there has been a significant change in depreciation, amortization and depletion rate, useful life or residual value of an asset, the depreciation, amortization and depletion of that asset is revised prospectively to reflect the new expectations.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

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

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

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

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

Investments in Associates
Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The consideration made in determining significant influence is similar to those necessary to determine control activities. The Group's investments in associates are accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

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

Other Noncurrent Assets
Other noncurrent assets of the Group include input tax, advances and deposits, cash held in escrow, deferred mine exploration costs, MRF, SDMP fund, long-term negotiable instrument, pension asset and other deposits. Aside from cash held in escrow, MRF and SDMP fund which are restriced as to withdrawal for specified purpose, these are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

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

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

Deferred Stripping Costs
Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine which are amortized subsequently. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or amortization and less impairment losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Property and Equipment, Investment Properties, Nonfinancial Prepayments and Other Current and Noncurrent Assets
The Group assesses, at each end of the reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statement of income.

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

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

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

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

Deferred mine exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:
- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

<u>Deferred Income</u>
Deferred income is advance payments received during one (1) accounting period but earned and shown in the consolidated statement of income in the year when it can be matched with the period in which it is realized as income.

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

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

The periodic unwinding of the discount is recognized in the consolidated statement of income as "Finance expense". Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur. When rehabilitation is conducted systematically over the life

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to consolidated statement of income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

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

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

<u>Capital Stock</u>
Common shares are classified as equity and are measured at par value for all shares issued and outstanding.

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

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

<u>Retained Earnings</u>
Retained earnings represent the cumulative balance of periodic net income or loss, dividends, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and other capital adjustments.

Dividends are recognized as a liability and deducted from equity when they are approved or declared by the BOD and/or stockholders. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

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

The cost of equity-settled transaction is determined by the fair value at the date when the grant is made using the Black Sholes-Merton model. The cost of equity-settled transaction is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award ("the Vesting Date"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the Vesting Date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit for a period in the consolidated statement of income represents the movement in cumulative expense recognized as at the beginning and end of that period and are recognized in personnel costs.

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted EPS.

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

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

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

Sale of Beneficiated Nickel and Limestone Ore
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which in the case of deliveries other than to CBNC and THNC, coincides with the loading of the ores into the buyer's vessel and the date of the bill of lading issued by the buyer's shipping agent. In the case of deliveries to CBNC and THNC, this occurs at the time the ore passes into the ore preparation hopper of the respective plants. Under the terms of the arrangements with customers, the Group bills the remaining balance, generally at

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ten percent (10%) to twenty percent (20%) of the ore shipped, based on the assay results agreed by both the Group and the customers. Where the assay results are not yet available as at the end of the reporting period, the Group accrues the remaining ten percent (10%) to twenty percent (20%) of the revenue based on the amount of the initial billing made.

Rendering of Services
Revenue from rendering of services consists of shipsiding activities, service fees, usage fees, drilling fees and materials handling fees are recognized when the services are rendered.

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

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

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

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

Other Income
Revenue is recognized in the consolidated statement of income as they are earned.

Cost and Expense Recognition
Cost and expenses are decreases in economic benefits during the end of the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses, finance expenses and other charges are generally recognized when the expense arises, incurred or accrued in the appropriate period.

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

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

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

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:
a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

<u>Income Taxes</u>
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

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

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

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

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

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

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

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

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

<u>Business Segments</u>
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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The functional currency is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences labor, material and other costs of providing goods and services.

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

Assessing Whether an Agreement is a Finance or Operating Lease
Management assess at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased item. Leases, where management has determined that the risks and rewards related to the leased item are transferred to the lessee, are classified as finance leases. On the other hand, leases entered into by the Group, where management has determined that the risks and rewards of the leased item are retained with the lessors, are accounted for as operating leases. Based on management's assessment the Group has entered into operating leases.

Determining Operating Lease Commitments - Group as a Lessee
The Group has entered into commercial property and equipment leases where management has determined that the significant risks and rewards of ownership of the leased properties are retained with the lessors and are being leased as operating leases.

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

Assessing Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:
- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.

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

Reclassifying AFS Financial Asset to Investment in Associates
In March 2014, the Group reclassified its ten percent (10%) interest in CBNC from an AFS financial asset to an investment in associate. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures*, and due to the change in the nature of the Group's involvement in CBNC, the Group evaluates various factors and assessed that significant influence exists. The Group's ten percent (10%) interest in CBNC was reclassified as an investment in associate at the cost of ₱724.4 million.

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, the customer's current credit status, and probability of insolvency and significant financial difficulties of customers are considered to ascertain the amount of allowances that will be recorded in the receivables account. These allowances are re-evaluated and adjusted as additional information is received.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of trade and other receivables amounted to ₱1,431.1 million and ₱839.4 million as at December 31, 2014 and 2013, respectively (net of allowance for impairment losses of ₱37.8 million and ₱38.9 million as at December 31, 2014 and 2013, respectively; see Note 5).

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

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

Estimating Allowance for Inventory Losses
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the number of contained nickel ore ounces based on assay data. Stockpile tonnages are verified by periodic surveys. NRV test for materials and supplies is also performed annually and it represents the current replacement cost. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production costs.

As at December 31, 2014 and 2013, inventories carried at lower of cost and NRV amounted to ₱2,863.2 million and ₱2,044.5 million, respectively (net of allowance for inventory losses of ₱153.7 million and ₱374.3 million as at December 31, 2014 and 2013, respectively; see Note 6).

Estimating Recoverability of Long-term Stockpile Inventory
The determination of the Group's long-term stockpile inventory include among others, projected revenues and operating and delivering costs from the sale of the long-term stockpile. Actual results that differ from the Group's assumptions generally affect the Group's recognized expense. The long-term stockpile inventory is carried at the lower of cost and NRV. An allowance for inventory losses is recognized when the carrying value of the asset is not recoverable and exceeds the NRV. Long-term stockpile inventory - net of current portion amounted to ₱812.8 million and ₱981.5 million as at December 31, 2014 and 2013, respectively (see Note 12).

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

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

No impairment loss was recognized on quoted and unquoted AFS financial assets in 2014 and 2013. The carrying values of AFS financial assets amounted to ₱2,804.4 million and ₱2,438.9 million as at December 31, 2014 and 2013, respectively (see Note 7).

Bifurcating and Valuing the Embedded Derivative on Convertible Loan with EPI
On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which will be released in two (2) tranches. The Parent Company may convert the entire second (2nd) tranche loan into the shares of stock of EPI constituting fifty-five percent (55%) of the total issued and outstanding shares of the latter.

Management assesses that the equity conversion right is an embedded derivative which is required to be bifurcated from the loan agreement. The embedded derivative is accounted for either as financial assets or financial liabilities at FVPL except for investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such instruments, which shall be measured at cost. EPI is a private entity and has no stable source of income as at December 31, 2014. EPI will generate revenue only when one of its projects will be put into commercial operation. Because of the circumstances involving EPI, the fair value of the equity instrument cannot be reliably measured and thus management has assessed that the equity conversion right shall be bifurcated at cost upon drawdown, where cost would be the initial fair value of the conversion feature. The derivative asset as at December 31, 2014 and 2013 amounted to ₱5.5 million and nil, respectively (see Notes 8 and 31f).

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

these factors and circumstances. There is no change in the estimated useful lives of property and equipment in 2014 and 2013.

The carrying values of property and equipment, except land, as at December 31, 2014 and 2013 amounted to ₱6,344.7 million and ₱6,331.5 million, respectively (net of accumulated depreciation, amortization and depletion of ₱6,114.0 million and ₱5,048.0 million and accumulated impairment losses of ₱98.5 million and nil as at December 31, 2014 and 2013, respectively; see Note 9).

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

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

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

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

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. There was no impairment losses recognized for investment properties in 2014 and 2013. As at December 31, 2014 and 2013, the Group provided an allowance for impairment losses on property and equipment amounting to ₱98.5 million and nil, respectively (see Notes 9 and 29).

The carrying values of property and equipment amounted to ₱6,599.0 million and ₱6,585.8 million as at December 31, 2014 and 2013, respectively (see Note 9). On the other hand, the carrying values of investment properties amounted to ₱29.0 million as at December 31, 2014 and 2013 (see Note 10).

Estimating Allowance for Impairment Losses on Investments in Associates
Impairment review on investments in associates are performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. Management has determined that there are no events or changes in circumstances in 2014 and 2013 that may indicate that the carrying value of investments in associates may not be recoverable.

No impairment loss was recognized on investments in associates in 2014 and 2013. The carrying values of the Group's investments in associates amounted to ₱5,304.0 million and ₱4,112.1 million as at December 31, 2014 and 2013, respectively (see Note 11).

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

Deferred mine exploration costs, included in "Other noncurrent assets", as at December 31, 2014 and 2013 amounted to ₱63.6 million and ₱52.9 million, respectively (net of allowance for impairment losses of ₱145.7 million and ₱144.2 million as at December 31, 2014 and 2013, respectively; see Note 13).

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

The carrying values of nonfinancial prepayments and other current assets amounted to ₱268.3 million and ₱225.4 million as at December 31, 2014 and 2013, respectively, while nonfinancial other noncurrent assets amounted to ₱819.4 million and ₱840.6 million as at December 31, 2014 and 2013, respectively (see Notes 8 and 13).

The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱0.5 million as at December 31, 2014 and 2013 (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2014 and 2013 amounted to ₱145.7 million and ₱160.6 million, respectively (see Note 13).

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

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

Provision for mine rehabilitation and decommissioning amounted to ₱130.2 million and ₱130.9 million as at December 31, 2014 and 2013, respectively (see Note 16).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Determining Pension Benefits
The determination of the Group’s obligation and costs for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 32, include among others, discount rates and future salary increase rates. In accordance with Revised PAS 19, actual results that differ from the Group’s assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group’s pension liability.

As at December 31, 2014 and 2013, pension asset included under “Other noncurrent assets” account amounted to ₱6.1 million and nil, respectively (see Notes 13 and 32). Pension liability amounted to ₱231.3 million and ₱279.1 million as at December 31, 2014 and 2013, respectively (see Note 32).

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

While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may no longer affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized as expense in 2014, 2013 and 2012, with a corresponding charge to the equity account, amounted to ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively. As at December 31, 2014 and 2013, the balance of the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱47.1 million and ₱49.5 million, respectively (see Note 18).

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

The Group has net deferred income tax assets amounting to ₱208.0 million and ₱344.4 million as at December 31, 2014 and 2013, respectively (see Note 33).

As at December 31, 2014 and 2013, the Group has temporary difference amounting to ₱96.1 million and ₱99.1 million, respectively, for which no deferred income tax assets were recognized because it is more likely than not that the carryforward benefits will not be realized in the future (see Note 33).

Determining Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 35).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand and with banks	**₱1,229,212**	₱4,981,843
Short-term cash investments	**12,332,591**	5,252,493
	₱13,561,803	₱10,234,336

Cash with banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates. The carrying value of cash and cash equivalents approximates their fair value as of the end of the reporting period.

The Group has United States dollar (US$) denominated cash and cash equivalents amounting to US$150.4 million, equivalent to ₱6,726.4 million, and US$59.4 million, equivalent to ₱2,636.9 million, as at December 31, 2014 and 2013, respectively (see Note 34).

Interest income earned from cash and cash equivalents amounted to ₱140.8 million, ₱142.0 million and ₱203.0 million in 2014, 2013 and 2012, respectively (see Note 27).

Cash with banks amounting to ₱45.1 million and ₱65.1 million as at December 31, 2014 and 2013, respectively, representing proceeds from the IPO, were deposited in escrow and are restricted as to withdrawal for specified purpose as determined in the prospectus submitted with the SEC; thus, are classified as “Other noncurrent assets” (see Note 13).

5. Trade and Other Receivables

	2014	2013
Trade (see Note 31a)	**₱879,976**	₱654,568
Notes receivable (see Note 31f)	**276,342**	–
Advances to suppliers and contractors	**73,045**	63,154
Advances to officers and employees	**48,704**	25,550
Receivable from CBNC (see Note 31a)	**39,362**	50,049
Interest receivable	**24,723**	11,635
Amounts owed by related parties (see Note 31)	**4,493**	9,212
Others	**122,268**	64,224
	1,468,913	878,392
Less allowance for impairment losses	**37,833**	38,943
	₱1,431,080	₱839,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Trade receivables and receivable from CBNC are noninterest-bearing and are generally on seven (7)-day to thirty (30)-days' term, except for the usage fee billed to THNC which is collected on a semi-annual basis.

Notes receivable pertains to the loan granted by the Parent Company to EPI, a related party, in August, November and December 2014.

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

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

Interest receivable is derived from short-term cash investments and cash held in escrow placed in various local banks, which is collectible upon maturity, and from AFS debt securities, cash held in escrow and long-term negotiable instrument which are collectible quarterly or semi-annually.

Amounts owed by related parties are noninterest-bearing with no fixed maturities and are generally collectible on demand.

Other receivables include advances to third party companies which are non-interest bearing with no fixed maturities and are generally collectible on demand. These also include despatch receivables which are generally on seven (7)-day to thirty (30)-days' terms, and advances to claimowners which are deductible from the royalty payments from ore shipments.

The Group has US$ denominated trade and other receivables amounting to US$17.3 million, equivalent to ₱775.3 million, and US$11.5 million, equivalent to ₱538.1 million, as at December 31, 2014 and 2013, respectively (see Note 34).

TMC has written-off its receivable amounting to ₱3.1 million in 2014 (see Note 29).

Movements of allowance for impairment losses as at December 31, 2014 and 2013 are as follows:

2014	**Trade**	**Others**	**Total**
Balances at January 1	**₱26,150**	**₱12,793**	**₱38,943**
Write-off	**(1,226)**	**–**	**(1,226)**
Reversal (see Note 29)	**–**	**(19)**	**(19)**
Foreign exchange adjustments	**135**	**–**	**135**
Balances at December 31	**₱25,059**	**₱12,774**	**₱37,833**

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

6. Inventories

	2014	2013
Beneficiated nickel ore and limestone ore - at cost	**₱2,087,087**	₱1,188,354
Beneficiated nickel ore - at NRV	**268,994**	343,559
Materials and supplies:		
At NRV	**306,075**	253,631
At cost	**60,406**	70,469
Current portion of long-term stockpile inventory (see Note 12)	**140,619**	188,456
	₱2,863,181	₱2,044,469

Movements of allowance for inventory losses as at December 31, 2014 and 2013 are as follow:

2014	**Beneficiated nickel ore**	**Materials and supplies**	**Total**
Balances at January 1	**₱333,653**	**₱40,603**	**₱374,256**
Provisions (see Note 29)	**–**	**5,394**	**5,394**
Reversals (see Note 29)	**(225,995)**	**–**	**(225,995)**
Balances at December 31	**₱107,658**	**₱45,997**	**₱153,655**

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

The cost of beneficiated nickel ore provided with allowance for inventory losses amounted to ₱376.7 million and ₱677.2 million as at December 31, 2014 and 2013, respectively, while the cost of materials and supplies provided with allowance for inventory losses amounted to ₱352.1 million and ₱294.2 million as at December 31, 2014 and 2013, respectively.

Costs of inventories charged as expense amounted to ₱5,803.9 million, ₱4,849.5 million and ₱4,775.6 million in 2014, 2013 and 2012, respectively (see Notes 20, 21 and 22).

7. AFS Financial Assets

	2014	2013
Quoted instruments:		
Debt securities	**₱2,104,285**	₱1,207,033
Equity securities	**506,028**	313,161
Unquoted equity securities	**194,116**	918,744
	2,804,429	2,438,938
Less noncurrent portion	**522,797**	1,181,568
	₱2,281,632	₱1,257,370

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The movements in AFS financial assets as at December 31, 2014 and 2013 are as follows:

	2014	2013
Balances at January 1	**₱2,438,938**	₱2,128,038
Additions	**1,397,019**	374,074
Disposals	**(407,234)**	(109,713)
Reclassification (Note 11)	**(724,410)**	–
Effect of changes in foreign exchange rate (see Note 29)	**3,310**	860
Valuation gains on AFS financial assets	**96,806**	45,679
Balances at December 31	**₱2,804,429**	₱2,438,938

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

	2014	2013
Balances at January 1	**₱99,506**	₱65,199
Movements recognized in equity:		
Gains recognized in equity	**105,285**	52,987
Reclassification adjustments for income included in the consolidated statements of income (see Notes 27 and 28)	**(8,479)**	(7,308)
Income tax effect	**(22,649)**	(15,636)
Valuation gains taken into the consolidated statements of comprehensive income	**74,157**	30,043
NCI in losses (gains) recognized in equity	**(2,341)**	4,264
Balances at December 31	**₱171,322**	₱99,506

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, and golf club shares and debt securities. As at December 31, 2014 and 2013, quoted and unquoted debt and equity securities amounting to ₱2,281.6 million and ₱1,257.4 million, respectively, were classified as current based on management's intention to dispose the instruments within one (1) year from the end of the reporting period.

The noncurrent portion of AFS financial assets amounted to ₱522.8 million and ₱1,181.6 million as at December 31, 2014 and 2013, respectively. As at December 31, 2014 and 2013, the Group has no intention to dispose its unquoted equity shares within the next year.

Dividend income earned from AFS equity securities amounted to ₱6.5 million, ₱62.7 million and ₱192.7 million in 2014, 2013 and 2012, respectively, of which nil, ₱60.5 million and ₱191.9 million relates to dividends coming from investments in unquoted equity securities (see Note 29), while interest income from AFS debt securities amounted to ₱16.6 million, ₱12.0 million and ₱20.7 million in 2014, 2013 and 2012, respectively (see Note 27).

The valuation gains of ₱74.2 million and ₱30.0 million is inclusive of share of NCI amounting to a valuation gain of ₱2.3 million and valuation loss of ₱4.3 million as at December 31, 2014 and 2013, respectively.

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

The Group has US$ denominated AFS financial assets amounting to US$18.6 million, equivalent to ₱831.4 million, and US$17.1 million, equivalent to ₱757.5 million, as at December 31, 2014 and 2013, respectively (see Note 34).

No impairment loss was recognized on the Group's AFS unquoted equity securities in 2014 and 2013.

8. Prepayments and Other Current Assets

	2014	2013
Short-term cash investment	**₱200,000**	₱–
Input tax	**103,065**	106,050
Prepaid taxes	**92,826**	69,744
Prepaid rent and others	**27,800**	11,459
Prepaid insurance	**20,182**	27,398
Tax credit certificates (net of allowance for impairment losses of ₱0.5 million as at December 31, 2014 and 2013)	**13,524**	3,517
Advances and deposits	**10,869**	7,244
Derivative asset (Note 31f)	**5,508**	–
	₱473,774	₱225,412

Short-term cash investment pertains to a local currency denominated cash placed in a 360-day peso time deposit with interest rate of 1.75% per annum (p.a.) in 2014. Interest income from this short-term cash investment amounted to ₱1.6 million in 2014 (see Note 27).

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

Prepaid taxes represent certificates of creditable withholding taxes for services rendered to other parties which can be recovered as tax credits against certain future tax liabilities of the Group.

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

Tax credit certificates are tax refunds received by the Group.

Advances and deposits are payments to suppliers before the receipt of goods and services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Property and Equipment

	2014					
	Land and Land Improvements	**Mining Properties and Development Costs**	**Machinery and Equipment**	**Buildings and Improvements**	**Construction In-progress**	**Total**
Cost:						
Balances at January 1	**₱254,290**	**₱469,179**	**₱7,455,908**	**₱2,646,872**	**₱807,490**	**₱11,633,739**
Additions	**–**	**–**	**717,469**	**111,197**	**728,406**	**1,557,072**
Transfers/reclassification	**23,280**	**–**	**825,271**	**142,910**	**(1,002,679)**	**(11,218)**
Disposals	**–**	**–**	**(368,158)**	**–**	**–**	**(368,158)**
Balances at December 31	**277,570**	**469,179**	**8,630,490**	**2,900,979**	**533,217**	**12,811,435**
Accumulated depreciation, amortization and depletion:						
Balances at January 1	**–**	**203,366**	**4,101,424**	**743,197**	**–**	**5,047,987**
Depreciation, amortization and depletion (see Note 26)	**582**	**13,936**	**1,156,219**	**202,597**	**–**	**1,373,334**
Transfers/reclassification	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(307,366)**	**–**	**–**	**(307,366)**
Balances at December 31	**582**	**217,302**	**4,950,277**	**945,794**	**–**	**6,113,955**
Allowance for impairment losses (see Note 29)	**–**	**–**	**98,487**	**–**	**–**	**98,487**
Net book values	**₱276,988**	**₱251,877**	**₱3,581,726**	**₱1,955,185**	**₱533,217**	**₱6,598,993**

	2013					
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Construction In-progress	Total
Cost:						
Balances at January 1	₱252,459	₱469,179	₱6,489,158	₱2,343,657	₱346,918	₱9,901,371
Additions	1,831	–	1,049,134	179,898	700,262	1,931,125
Transfers/reclassification	–	–	23,272	193,388	(220,207)	(3,547)
Disposals	–	–	(105,656)	(70,071)	(19,483)	(195,210)
Balances at December 31	254,290	469,179	7,455,908	2,646,872	807,490	11,633,739
Accumulated depreciation, amortization and depletion:						
Balances at January 1	–	188,801	3,133,704	628,938	–	3,951,443
Depreciation, amortization and depletion (see Note 26)	–	14,565	1,072,718	173,318	–	1,260,601
Transfers/reclassification	–	–	(338)	–	–	(338)
Disposals	–	–	(104,660)	(59,059)	–	(163,719)
Balances at December 31	–	203,366	4,101,424	743,197	–	5,047,987
Net book values	₱254,290	₱265,813	₱3,354,484	₱1,903,675	₱807,490	₱6,585,752

Pier facilities (included under "Buildings and improvements") with a carrying value of ₱112.7 million and ₱150.3 million as at December 31, 2014 and 2013, respectively, were mortgaged as collateral for the long-term debt of RTN (see Note 15).

Depreciation on the excess of the fair value of the assets acquired from RTN over their corresponding book values transferred to retained earnings amounted to ₱0.4 million in 2014, 2013 and 2012.

In 2014, TMC recognized provision for impairment losses on its machinery and equipment amounting to ₱98.5 million. The impairment is related to the head end of the conveyor which has become inoperational last September 1, 2014 (see Note 29).

10. Investment Properties

	2014	2013
Cost:		
Balances at January 1	**₱29,000**	₱142,151
Disposals	**–**	(112,491)
Reclassification	**–**	(660)
Balances at December 31	**29,000**	29,000
Accumulated depreciation:		
Balances at January 1	**–**	69,960
Depreciation (see Note 26)	**–**	2,050
Disposals	**–**	(72,010)
Balances at December 31	**–**	–
Net book values	**₱29,000**	₱29,000

Investment properties consist of condominium units rented out as office spaces and parcels of land located in Surigao City which is intended for leasing to THNC in the future. Rental income in 2014, 2013 and 2012 amounting to nil, ₱6.0 million and ₱11.7 million, respectively, are included under "Services and others" in the consolidated statements of income. In 2014, 2013 and 2012, the direct operating expenses incurred amounting to nil, ₱0.8 million and ₱6.6 million, respectively, were included in "General and administrative expenses" (see Note 24).

In 2013, investment properties consist of condominium units rented out as office spaces with carrying amount of ₱40.5 million were sold for ₱185.6 million resulting to a gain of ₱145.1 million (see Note 29).

The fair value of the land approximates its carrying value as at December 31, 2014 and 2013.

11. Investments in Associates

	2014	2013
THNC	**₱4,468,336**	₱4,112,126
CBNC	**835,704**	–
	₱5,304,040	₱4,112,126

Movements in the investments in associates as at December 31, 2014 and 2013 are as follows:

	2014			2013		
	THNC	**CBNC**	**Total**	THNC	CBNC	Total
Acquisition cost	**₱4,443,075**	**₱724,410**	**₱5,167,485**	₱4,443,075	₱–	₱4,443,075
Accumulated equity in net earnings (losses):						
Balances at January 1	**(501,940)**	**–**	**(501,940)**	(317,237)	–	(317,237)
Equity in net income (losses)	**324,500**	**197,880**	**522,380**	(184,703)	–	(184,703)
	(177,440)	**197,880**	**20,440**	(501,940)	–	(501,940)
Share in cumulative translation adjustment:						
Balances at January 1	**170,991**	**–**	**170,991**	(136,909)	–	(136,909)
Movement	**31,710**	**(86,586)**	**(54,876)**	307,900	–	307,900
	202,701	**(86,586)**	**116,115**	170,991	–	170,991
Balances as at December 31	**₱4,468,336**	**₱835,704**	**₱5,304,040**	₱4,112,126	₱–	₱4,112,126

The balance of investments in associates includes goodwill of ₱105.4 million as at December 31, 2014 and 2013, while the share in cumulative translation adjustment of associates are gross of deferred income tax liability of ₱34.0 million and ₱30.8 million, respectively (see Note 33).

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

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

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

The following are the summarized financial information of THNC as at December 31, 2014 and 2013. THNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱44.72 and US$1 = ₱44.40 as at December 31, 2014 and 2013, respectively, for assets and liabilities accounts, and historical rates for equity accounts and average rate of US$1 = ₱44.39 and US$1 = ₱42.43 for the statements of income accounts in 2014 and 2013, respectively.

	2014	2013
Current assets	**₱6,870,896**	₱6,832,282
Noncurrent assets	**69,661,595**	67,420,451
Current liabilities	**(12,522,959)**	(1,396,830)
Noncurrent liabilities	**(44,618,607)**	(55,048,137)
Net assets	**₱19,390,925**	₱17,807,766
Income	**₱15,821,955**	₱840,429
Expenses	**(14,379,732)**	(1,661,333)
Net income (loss)	**₱1,442,223**	(₱820,904)

CBNC
CBNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on April 4, 2002. CBNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide wherein RTN has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility. The agreement provides that it will terminate until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN also supply limestone and provide ancillary services to Coral Bay High Pressure Acid Leach (HPAL) facility.

The Parent Company acquired its ten percent (10%) direct ownership in CBNC by way of property dividend distributed by RTN in March 2014. In accordance with the provisions of PAS 28 (2011) and due to the change in the nature of the Group's involvement in CBNC, the Group evaluates various factors and assessed that significant influence exists. The Group reclassified its ten percent (10%) interest in CBNC amounting to ₱724.4 million from an AFS financial asset to an investment in associate.

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

	2014
Current assets	**₱4,928,354**
Noncurrent assets	**23,490,170**
Current liabilities	**(1,617,002)**
Noncurrent liabilities	**(154,800)**
Net assets	**₱26,646,722**
Income	**₱14,702,120**
Expenses	**(12,063,714)**
Net income	**₱2,638,406**

12. **Long-term Stockpile Inventory**

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN. The low grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 31a). Subsequently, this fair value represented the cost of the long-term stockpile inventory. The fair value of the inventory in August 2006 amounted to ₱2,036.7 million.

The cost of the long-term stockpile inventory is periodically charged to cost of sales based on the actual tonnage delivered to CBNC from the long-term stockpile. The cost of long-term stockpile inventory amounting to ₱216.5 million, ₱235.2 million and ₱133.0 million were charged to "Cost of sales" in 2014, 2013 and 2012, respectively (see Note 20).

A portion amounting to ₱140.6 million and ₱188.5 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next reporting period, were shown as part of "Inventories" as at December 31, 2014 and 2013, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱812.8 million and ₱981.5 million as at December 31, 2014 and 2013, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. **Other Noncurrent Assets**

	2014	2013
Input tax - net of current portion	**₱442,785**	₱448,466
Deferred mine exploration costs	**209,227**	197,028
MRF	**182,431**	125,467
Advances to claimowners (see Note 36e)	**103,588**	94,421
Deposit for aircraft acquisition	**98,754**	98,924
Advance royalties (see Note 36e)	**89,497**	141,501
Cash held in escrow (see Note 4)	**45,112**	65,118
Long-term negotiable instrument	**30,000**	30,000
SDMP fund	**19,947**	16,999
Pension asset (see Note 32)	**6,090**	–
Others	**15,125**	20,861
	1,242,556	1,238,785
Less allowance for impairment losses	**145,675**	160,645
	₱1,096,881	₱1,078,140

Movements of allowance for impairment losses in 2014 and 2013 follow:

2014	**Advances to claimowners**	**Deferred mine exploration costs**	**Total**
Balances at January 1	**₱16,490**	**₱144,155**	**₱160,645**
Write-off	**(16,490)**	**–**	**(16,490)**
Provisions (see Note 29)	**–**	**1,520**	**1,520**
Balances at December 31	**₱–**	**₱145,675**	**₱145,675**

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

Input tax represents the VAT paid on purchases of applicable goods and services, net of output tax, which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine BOC.

Deferred mine exploration costs include mining rights of ₱32.3 million as at December 31, 2014 and 2013.

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

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

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

Advance royalties pertain to royalty payments to Government.

Cash held in escrow represents proceeds from the IPO and are restricted as to withdrawal for specified purpose as determined in the prospectus submitted with the SEC. Interest income earned from cash held in escrow in 2014, 2013 and 2012 amounted to ₱0.5 million, ₱0.8 million and ₱2.7 million, respectively (see Note 27).

The long-term negotiable instrument earns interest at 5.25% p.a. and will mature in October 2019. Interest income earned from long-term negotiable instrument amounted to ₱1.3 million in 2014 and 2013 (see Note 27).

The SDMP fund shall be used for the sustainable development of the host and neighboring communities of the mine site, namely, Barangays Taganito, Hayanggabon, Urbiztondo and Cagdianao. In 2012, the fund was extended to the ten (10) non - mining barangays within the Municipality of Claver and to the Province of Surigao del Norte. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the Mines and Geosciences Bureau (MGB).

Others include various security deposits and deposit to suppliers.

14. **Trade and Other Payables**

	2014	2013
Trade (see Note 31)	**₱715,012**	₱483,642
Accrued expenses:		
Related party (see Note 31)	**269,321**	201,673
Third parties	**43,639**	39,549
Government payables:		
Withholding taxes payable	**302,765**	50,700
Excise taxes and royalties payable	**62,448**	87,180
Fringe benefit taxes (FBT) payable	**49,655**	158
Output VAT	**3,814**	3,584
Documentary stamp taxes (DST) payable	**3,168**	–
Interest payable	**6,309**	6,959
Amounts owed to a related party (see Note 31)	**2,520**	2,016
Retention payable	**564**	34,168
Others	**23,425**	18,484
	₱1,482,640	₱928,113

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled in less than thirty (30) days' term. Trade payables relate to payables to suppliers in the ordinary course of business. Accrued expenses substantially consist of contractor's fees, trucking and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

stevedoring services, hauling and rental expenses, guarantee service fees and others which are usual in the business operations of the Group.

Government payables include withholding taxes which are normally settled within ten (10) days after the end of each reporting month and FBT which are normally settled within fifteen (15) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore and limestone ore were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties. DST is normally settled within five (5) days after the close of the month when the taxable document was issued.

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

Amounts owed to a related party pertain to dividends declared by the Parent Company to Nickel Asia Holdings Inc. (NAHI), a stockholder.

Retention payable pertains to the ten percent (10%) of the gross payable amount retained by TMC from its supplier and will be paid upon the completion of the construction of the conveyor system. In 2014, the conveyor system was completed and the corresponding retention payable was paid.

The Group has US$ denominated trade and other payables amounting to US$1.5 million, equivalent to ₱67.9 million, and US$1.4 million, equivalent to ₱63.4 million as at December 31, 2014 and 2013, respectively (see Note 34).

15. **Long-term Debt**

	2014	2013
TMC	**₱1,291,290**	₱1,359,597
RTN	**140,242**	179,000
	1,431,532	1,538,597
Less noncurrent portion:		
TMC	**1,213,030**	1,281,906
RTN	**100,173**	139,222
	1,313,203	1,421,128
Current portion	**₱118,329**	₱117,469

TMC Loan
On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to US$35.0 million at a prevailing 180-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus two percent (2%) spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone (TSEZ). The loan shall be drawn down in one or multiple times by July 31, 2011. As at December 31, 2014 and 2013, the total loan drawn down by TMC amounted to US$35.0 million.

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

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any Governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all Governmental approvals necessary to perform the obligations. As at December 31, 2014 and 2013, TMC is in compliance with the restrictions.

Interest expense in 2014, 2013 and 2012 amounting to ₱31.3 million, ₱33.5 million and ₱38.1 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 21).

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

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

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

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any Governmental authority affecting RTN. As at December 31, 2014 and 2013, RTN is in compliance with the restrictions.

Interest expense amounted to ₱3.7 million, ₱4.8 million and ₱6.5 million in 2014, 2013 and 2012, respectively (see Note 28).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2014	2013
Balances at January 1	**₱130,927**	₱132,522
Payments of rehabilitation cost	**(10,401)**	(10,149)
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 28)	**8,893**	8,554
Effect of change in estimate	**756**	–
Balances at December 31	**₱130,175**	₱130,927

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

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

17. **Equity**

Capital Stock
The capital structure of the Parent Company as at December 31, 2014 and 2013 is as follows:

	2014	2013
Common stock - ₱0.50 par value		
Authorized - 4,265,000,000 shares		
Issued - 2,530,590,350 shares in 2014 and 2,519,159,345 in 2013	**₱1,265,295**	₱1,259,580
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
	₱1,272,495	₱1,266,780

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

Movements in common stock follow:

	2014	
	Number of Shares	**Amount**
Balances at January 1	**2,519,159,345**	**₱1,259,580**
Issuance of stock dividends	**–**	**–**
Exercise of stock options (see Note 18)	**11,431,005**	**5,715**
Balances at December 31	**2,530,590,350**	**₱1,265,295**

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

On June 16, 2010, the BOD and stockholders of the Parent Company approved the ESOP (2010 ESOP; the Plan). On December 20, 2010, the Plan was approved by the SEC. A total of 12.0 million shares of stock were reserved for issue under the Plan.

On March 14, 2014, the BOD of the Parent Company approved the adoption of a new ESOP (2014 ESOP; the New Plan) which was ratified by the Parent Company's stockholders on June 6, 2014. On November 21, 2014, the New Plan was approved by the SEC. A total of 32.0 million shares of stock were reserved for issue under the New Plan.

Basic terms and conditions of the stock option plans are disclosed in Note 18.

Issued Capital Stock
The IPO of the Parent Company's shares with an offer price of ₱15.00 per share, which is equivalent to ₱5.33 per share after the stock dividends, resulted to the issuance of 217,183,818 common shares and reissuance of 132,991,182 shares held in treasury.

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

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

As at December 31, 2014 and 2013, the Parent Company has fifty four (54) and forty-five (45) stockholders, respectively.

As at December 31, 2014 and 2013, a total of 495,443,935 or 20% and 803,135,234 or 32%, respectively, of the outstanding common shares of the Parent Company are registered in the name of fifty-two (52) and forty-three (43) shareholders, respectively, while the balance of 2,035,146,415 common shares or 80% and 1,716,024,111 common shares or 68%, respectively,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

are lodged with the Philippine Depository, Inc. (now known as Philippine Depository and Trust Corporation).

Dividends
Dividends declared and paid by the Parent Company follow:

2014

Type of Dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment/issuance
Cash Dividends					
Special	**November 10, 2014**	**November 24, 2014**	**₱1,264,000**	**₱0.50**	**December 10, 2014**
Regular	**March 24, 2014**	**April 10, 2014**	**757,727**	**0.30**	**May 8, 2014**
Stock Dividends	**December 18, 2014**	**January 12, 2015**	**632,648**	**50%**	**January 28, 2015**

2013

Type of Dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment/issuance
Regular Cash Dividend	April 5, 2013	April 22, 2013	₱705,252	₱0.35	May 14, 2013
Stock Dividends	June 3, 2013	June 18, 2013	251,916	25%	July 12, 2013

2012

Type of Dividend	Date of declaration	Date of record	Amount declared	Dividend per share	Date of payment/issuance
Regular Cash Dividend	March 28, 2012	April 16, 2012	₱1,073,452	₱0.80	May 11, 2012
Stock Dividends	June 8, 2012	August 29, 2012	335,579	50%	September 24, 2012

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

18. Executive Stock Option Plan

2014 ESOP
On March 24, 2014, the New Plan was approved by the Parent Company's BOD and was ratified on June 6, 2014 by the stockholders. On November 21, 2014, the New Plan was approved by the SEC. The basic terms and conditions of the New Plan are as follows:

1. The New Plan covers up to 32.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱25.52, which is equivalent to ₱17.01 after the stock dividends.
4. The grant date of the New Plan is June 6, 2014 as determined by the Compensation Committee.
5. The term of the New Plan shall be five (5) years and the shares will vest to the participant at the rate of twenty-five percent (25%) after the first year of the New Plan or June 6, 2015.
6. The participant can exercise the vested options by giving notice within the term of the New Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair value of the stock option is ₱7.53, which was estimated as at grant date, June 6, 2014, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

2010 ESOP
On June 16, 2010, the BOD and stockholders of the Parent Company approved the 2010 ESOP. On December 20, 2010, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 12.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with a position of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱13.50, which is equivalent to ₱4.80 after the stock dividends.
4. The grant date of the Plan is January 3, 2011 as determined by the Compensation Committee.
5. The term of the Plan shall be six (6) years and the shares will vest to the participant at the rate of twenty five-percent (25%) per year after the first year of the Plan or December 21, 2011.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The stock option agreement was made and executed on January 3, 2011 between the Parent Company and the option grantees. The fair value of the stock options is ₱6.44, which was estimated as at grant date, January 3, 2011, using the Black Scholes-Merton model, taking into account the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the stock options at effective grant date:

	2014 ESOP	2010 ESOP
Grant Date	June 6, 2014	January 3, 2011
Spot price per share	₱28.55	₱15.00
Exercise price	₱25.52	₱13.50
Expected volatility	33.28%	53.42%
Option life	5.00 years	3.97 years
Dividend yield	3.88%	2.06%
Risk-free rate	3.30%	4.50%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Except for the effect of stock dividends, there have been no modifications or cancellations in 2014 and 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Number of Options		Weighted Average Exercise Price	
	2014	2013	**2014**	2013
2014 ESOP				
Granted	**17,764,849**	–	**₱25.52**	₱–

	Number of Options		Weighted Average Exercise Price	
	2014	2013	**2014**	2013
2010 ESOP				
January 1	**15,150,313**	13,971,473	**₱7.20**	₱9.00
Exercised (see Note 17)	**(11,431,005)**	(1,851,218)	**7.20**	9.00
Stock dividends	**–**	3,030,058	**–**	7.20
December 31	**3,719,308**	15,150,313	**₱7.20**	₱7.20

After the effect of the stock dividends, the weighted average exercise price of 2014 ESOP and 2010 ESOP is equivalent to ₱17.01 and ₱4.80 per share, respectively.

In 2013, the number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) stock dividends (see Note 17).

On September 2, 2013, the SEC approved the exemption from registration of 3,030,058 common shares which shall form part of the ESOP.

The number of exercisable vested stock options as at December 31, 2014 and 2013 are 3,719,308 and 9,851,885, respectively.

In 2014 and 2013, the weighted average stock price at exercise dates was ₱28.84 and ₱26.62 per share, respectively, which is equivalent to ₱19.23 and ₱14.20 per share, respectively, after the effect of stock dividends.

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

	2014	2013
Balances at January 1	**₱49,524**	₱57,464
Cost of share-based payment recognized as capital upon exercise	**(45,464)**	(18,309)
Stock option expense (see Note 25)	**43,000**	10,369
Movements during the year	**(2,464)**	(7,940)
Balances at December 31	**₱47,060**	₱49,524

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

The weighted average remaining contractual life of options outstanding under the Plan is one and a half (1.5) years and two and a half (2.5) years as at December 31, 2014 and 2013, respectively.

In 2014, 2013 and 2012, the cost of share-based payment plan amounted to ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively (see Note 25).

19. Earnings Per Share

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

	2014	2013	2012
Net income attributable to equity holders of the parent	**₱8,551,627**	₱2,053,674	₱2,207,210
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**8,551,123**	2,053,170	2,206,706
Dividends on dilutive potential ordinary shares	**–**	–	474
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱8,551,123**	₱2,053,170	₱2,206,232
Weighted average number of common shares for basic EPS	**3,789,494,956**	3,777,821,108	3,773,742,315
Effect of dilution from stock options	**11,166,294**	7,887,749	3,391,331
Weighted average number of common shares adjusted for the effect of dilution	**3,800,661,250**	3,785,708,857	3,777,133,646
Basic EPS	**₱2.26**	₱0.54	₱0.58
Diluted EPS	**₱2.25**	₱0.54	₱0.58

The effect of the stock dividends distributable, which are outstanding as at December 31, 2014 and were issued on January 28, 2015, has been considered in the computation of weighted average number of common shares for both basic and diluted EPS. There are no other transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of authorization of the consolidated financial statements.

20. Cost of Sales

	2014	2013	2012
Production overhead	**₱2,613,048**	₱1,938,349	₱1,986,973
Outside services	**1,246,424**	869,379	1,194,218
Depreciation and depletion (see Note 26)	**984,366**	830,512	615,090
Personnel costs (see Note 25)	**894,205**	669,699	614,390
Long-term stockpile inventory (see Note 12)	**216,539**	235,169	132,997
	5,954,582	4,543,108	4,543,668
Net changes in beneficiated nickel ore and limestone ore	**(598,171)**	(53,814)	(76,453)
	₱5,356,411	₱4,489,294	₱4,467,215

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

21. Cost of Services

	2014	2013	2012
Depreciation and depletion (see Note 26)	**₱129,502**	₱133,040	₱100,726
Personnel costs (see Note 25)	**84,316**	63,836	36,869
Overhead	**78,384**	49,962	15,575
Equipment operating cost (see Note 15)	**62,202**	76,058	78,681
Outside services	**16,746**	12,396	28,548
	₱371,150	₱335,292	₱260,399

Equipment operating cost includes interest expense amounting to ₱31.3 million, ₱33.5 million and ₱38.1 million in 2014, 2013 and 2012, respectively (see Note 15).

22. Shipping and Loading Costs

	2014	2013	2012
Contract fees	**₱1,136,292**	₱801,402	₱857,455
Supplies and fuel, oil and lubricants	**368,735**	294,771	271,266
Depreciation and depletion (see Note 26)	**123,795**	155,810	123,670
Personnel costs (see Note 25)	**65,187**	72,219	61,865
Other services and fees	**143,559**	74,569	86,294
	₱1,837,568	₱1,398,771	₱1,400,550

23. Excise Taxes and Royalties

	2014	2013	2012
Royalties (see Notes 36e and 36j)	**₱1,273,780**	₱439,098	₱485,072
Excise taxes (see Note 36e)	**481,054**	209,510	222,865
	₱1,754,834	₱648,608	₱707,937

24. General and Administrative

	2014	2013	2012
Personnel costs (see Note 25)	**₱290,964**	₱230,199	₱173,819
Taxes and licenses	**230,174**	80,474	66,199
Outside services	**103,336**	67,750	62,860
Depreciation (see Note 26)	**87,846**	84,705	84,941
Donations	**49,043**	12,022	458
Transportation and travel	**26,409**	20,246	18,257
Repairs and maintenance	**22,941**	9,528	8,661
Entertainment, amusement and recreation	**16,161**	13,720	13,721
Communications, light and water	**8,634**	11,882	13,458
Others	**121,356**	94,293	85,207
	₱956,864	₱624,819	₱527,581

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

25. Personnel Costs

	2014	2013	2012
Salaries, wages and employee benefits	**₱1,220,569**	₱970,411	₱840,942
Pension liability (see Note 32)	**71,103**	55,173	43,242
Cost of share-based payment plan (see Note 18)	**43,000**	10,369	2,759
	₱1,334,672	₱1,035,953	₱886,943

The amounts of personnel costs are distributed as follows:

	2014	2013	2012
Cost of sales (see Note 20)	**₱894,205**	₱669,699	₱614,390
General and administrative (see Note 24)	**290,964**	230,199	173,819
Cost of services (see Note 21)	**84,316**	63,836	36,869
Shipping and loading costs (see Note 22)	**65,187**	72,219	61,865
	₱1,334,672	₱1,035,953	₱886,943

26. Depreciation and Depletion

	2014	2013	2012
Property and equipment (see Note 9)	**₱1,373,334**	₱1,260,601	₱974,382
Investment properties (see Note 10)	**–**	2,050	7,501
	₱1,373,334	₱1,262,651	₱981,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2014	2013	2012
Cost of sales (see Note 20)	**₱984,366**	₱830,512	₱615,090
Cost of services (see Note 21)	**129,502**	133,040	100,726
Shipping and loading costs (see Note 22)	**123,795**	155,810	123,670
General and administrative (see Note 24)	**87,846**	84,705	84,941
Others	**47,825**	58,584	57,456
	₱1,373,334	₱1,262,651	₱981,883

27. Finance Income

	2014	2013	2012
Interest income (see Notes 4, 7, 8,13 and 32)	**₱160,847**	₱159,445	₱226,414
Gain on:			
Sale of AFS financial assets (see Note 7)	**10,684**	7,308	6,490
Accretion income (see Note 31f)	**573**	–	–
Sale of investment funds	**–**	–	2,136
	₱172,104	₱166,753	₱235,040

28. Finance Expenses

	2014	2013	2012
Guarantee service fee (see Note 36f)	**₱134,766**	₱104,235	₱83,987
Interest expense (see Notes 15 and 32)	**16,382**	13,242	16,199
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**8,893**	8,554	13,539
Loss on sale of AFS financial assets (see Note 7)	**2,205**	–	–
Day 1 loss (see Note 31f)	**2,123**	–	–
Provision for impairment losses on trade and other receivables (see Note 5)	**–**	2,267	811
	₱164,369	₱128,298	₱114,536

29. Other Income - Net

	2014	2013	2012
Foreign exchange gains (losses) - net	**₱182,510**	₱53,293	(₱123,466)
Reversals of allowance for (provisions for):			
Impairment losses on beneficiated nickel ore inventory (see Note 6)	**225,995**	6,361	8,226
Impairment losses on property and equipment (see Note 9)	**(98,487)**	–	–
Impairment losses on input VAT	**–**	(530)	–
Impairment losses on materials and supplies (see Note 6)	**(5,394)**	2,802	–
Impairment losses on deferred mine exploration costs (see Note 13)	**(1,520)**	(144,155)	–
Impairment losses on trade and other receivables (see Note 5)	**19**	4,769	–
Special projects	**84,773**	28,375	79,791
Despatch	**67,296**	49,134	70,567
Issuance of fuel, oil and lubricants	**16,859**	8,209	22,511
Rentals and accommodations	**11,307**	4,209	4,178
Gain (loss) on:			
Write-off of input VAT	**(12,548)**	(6,752)	(5,068)
Sale of property and equipment	**9,693**	82,005	1,369
Write-off of receivables (see Note 5)	**(3,108)**	–	–
Write-off of deferred mine exploration cost	**(1,941)**	–	–
Sale of investment properties (see Note 10)	**–**	145,095	–
Dividend income (see Note 7)	**6,473**	62,654	192,720
Other services	**3,649**	4,766	6,489
Casualty losses	**–**	(7,439)	–
Others - net	**(14,679)**	16,987	42,945
	₱470,897	₱309,783	₱300,262

Others include pension income recognized by a subsidiary as determined by the Group's actuary and miscellaneous services provided to CBNC on per job order basis, net of related cost incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Breakdown of the foreign exchange gains (losses) - net follow:

	2014	2013	2012
Realized foreign exchange gains (losses) - net	**₱93,894**	₱90,798	(₱142,786)
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	**96,095**	77,129	(54,282)
Long-term debt	**(8,258)**	(119,636)	105,793
AFS financial assets (see Note 7)	**3,310**	860	(11,217)
Trade and other receivables	**(2,421)**	4,370	(22,249)
Trade and other payables	**(110)**	(504)	1,181
Others	**–**	276	94
	₱182,510	₱53,293	(₱123,466)

30. **Material Partly-Owned Subsidiaries**

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI:

	Principal Place of Business	2014	2013
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material NCI:

	2014	2013
RTN	**₱1,040,362**	₱2,297,884
TMC	**2,277,615**	1,677,390

Net income attributable to material NCI:

	2014	2013
RTN	**₱1,136,565**	₱380,490
TMC	**1,326,530**	262,465

Other comprehensive income (loss) attributable to material NCI:

	2014	2013
RTN	**₱12,013**	(₱21,205)
TMC	**7,385**	(15,195)

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized statements of comprehensive income for the year ended December 31, 2014:

	RTN	TMC
Revenues	**₱7,188,712**	**₱8,907,493**
Cost of sales and services	**(2,159,076)**	**(1,770,309)**
Operating expenses	**(922,182)**	**(1,753,192)**
Other income (charges) - net	**139,227**	**(13,713)**
Finance income - net	**718,115**	**20,681**
Income before income tax	**4,964,796**	**5,390,960**
Provision for income tax	**(1,276,249)**	**(1,600,873)**
Net income	**3,688,547**	**3,790,087**
Other comprehensive income	**30,033**	**21,101**
Total comprehensive income	**₱3,718,580**	**₱3,811,188**
Attributable to NCI	**₱1,487,432**	**₱1,333,915**
Dividends paid to NCI	**2,745,815**	**735,000**

Summarized statements of comprehensive income for the year ended December 31, 2013:

	RTN	TMC
Revenues	₱3,535,178	₱3,370,272
Cost of sales and services	(1,932,816)	(1,307,120)
Operating expenses	(579,759)	(974,615)
Other income - net	204,041	3,364
Finance income - net	42,854	8,676
Income before income tax	1,269,498	1,100,577
Provision for income tax	(318,274)	(350,677)
Net income	951,224	749,900
Other comprehensive loss	(53,013)	(43,413)
Total comprehensive income	₱898,211	₱706,487
Attributable to NCI	₱292,940	₱247,270
Dividends paid to NCI	480,000	–

Summarized statements of financial position as at December 31, 2014 and 2013:

	RTN		TMC	
	2014	2013	**2014**	2013
Current assets	**₱1,992,178**	₱3,690,031	**₱4,050,179**	₱2,502,364
Noncurrent assets	**1,606,618**	2,621,293	**4,298,935**	4,263,406
Current liabilities	**(881,208)**	(372,054)	**(381,606)**	(414,052)
Noncurrent liabilities	**(116,683)**	(194,561)	**(1,460,036)**	(1,559,176)
Total equity	**₱2,600,905**	₱5,744,709	**₱6,507,472**	₱4,792,542
Attributable to equity holders of parent	**₱1,560,543**	₱3,446,825	**₱4,229,857**	₱3,115,152
NCI	**1,040,362**	2,297,884	**2,277,615**	1,677,390

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summarized cash flow information for the years ended December 31, 2014 and 2013:

	RTN		TMC	
Operating	**₱3,665,698**	₱1,531,539	**₱3,625,536**	₱888,778
Investing	**(190,957)**	(121,040)	**(665,389)**	(1,322,766)
Financing	**(5,483,554)**	(1,244,781)	**(2,209,872)**	(108,874)
Net increase (decrease) in cash and cash equivalents	**(₱2,008,813)**	₱165,718	**₱750,275**	(₱542,862)

31. **Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Set out on next page are the Group's transactions with related parties in 2014, 2013 and 2012, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2014 and 2013.

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)			
	2014	2013	2012	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	Terms	Conditions
Stockholders													
Pacific Metals Co., Ltd. (PAMCO)													
Sale of ore and services	**₱4,120,959**	₱1,269,780	₱2,086,909	**₱31,717**	₱5,948	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Draft survey fee	**630**	295	388	**–**	54	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**6,419**	4,447	–	**–**	1,080	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	**262**	–	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Fully collected
SMM													
Sale of ore	**879,528**	192,701	125,687	**2,603**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee	**134,220**	103,351	82,668	**–**	–	**43,639**	39,549	**–**	–	**–**	–	Every twenty first (21) of February, March, August and September	Unsecured
Short-term advances	**–**	1,783	–	**–**	–	**–**	–	**–**	532	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Additional loan facility	**–**	–	–	**–**	–	**–**	–	**–**	–	**140,242**	179,000	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
NAHI													
Short-term advances	**21**	100	106	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends payable	**504**	504	504	**–**	–	**2,520**	2,016	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee

(Forward)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)			
	2014	2013	2012	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	Terms	Conditions
With Common Stockholders													
Manta Equities, Inc. (MEI)													
Rentals, dues and utilities	**₱25,639**	₱14,190	₱–	**₱–**	₱–	**₱33**	₱1,451	**₱–**	₱–	**₱–**	₱–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**9,350**	9,842	–	**–**	951	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**64**	1,147	28	**–**	–	**–**	–	**3**	83	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
EPI													
Notes receivables	**276,342**	**–**	**–**	**276,342**	–	**–**	**–**	**–**	**–**	**–**	**–**	Collectible on agreed pay out date; interest bearing at 2% p.a.	Secured; with collateral
Associates													
CBNC													
Sale of ore and services	**2,087,569**	1,744,600	1,695,491	**203,342**	200,454	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**47,829**	52,455	56,721	**29,418**	23,983	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**60,698**	8,846	40,489	**9,944**	26,066	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**–**	625	–	**–**	–	**–**	–	**–**	63	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
THNC													
Sale of ore	**1,434,220**	237,071	–	**121,305**	75,638	**–**	–	**–**	–	**–**	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**130,310**	125,003	124,702	**31,371**	31,143	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 31a)	**267,504**	124,523	–	**28,106**	42,705	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,703**	6,703	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit	**–**	3,352	–	**–**	–	**3,352**	3,352	**–**	–	**–**	–	Collectible upon end of the lease term; non-interest bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)			
	2014	2013	2012	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	Terms	Conditions
Additional loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱1,291,290**	₱1,359,597	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Rendering of other service	**2,054**	–	–	**2,054**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**21,621**	22,175	21,446	**–**	–	**–**	–	**4,490**	8,534	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱736,202	₱408,022	**₱49,544**	₱46,368	**₱4,493**	₱9,212	**₱1,431,532**	₱1,538,597		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Terms and Conditions of Transactions with Related Parties
All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2014 and 2013 pertain to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on the CBNC and THNC Loan Obligations (see Note 36f), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO
CMC and TMC supply saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per wet metric ton of ore. PAMCO shall pay the Group eighty percent (80%) to ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2014 and 2013 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of “Trade and other receivables” and is expected to be collected subsequently.

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

Nickel Ore Sale Agreement with SMM
On April 1, 2011, RTN, TMC, HMC, CMC and SMM entered into an agreement to supply nickel ore to the latter. The agreement shall be valid from April 2011 and shall continue to be valid and in effect until December 2015.

Nickel Ore Supply Agreement with CBNC
RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay HPP facility until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPP facility. Receivable from CBNC is included as part of “Trade and other receivables” and is expected to be collected subsequently.

Nickel Ore Supply Agreement with THNC
TMC entered into an agreement with THNC, a Philippine Corporation, covering the sale of its ore products. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME.

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

Materials Handling Agreement with THNC
On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for the latter. THNC shall compensate TMC based on the prices stipulated in the agreement which are determined on the basis of the weight of the cargo. Payment is collected within fifteen (15) days from receipt of TMC’s billing.

b. Stockholder Agreements

THNC Stockholder’s Agreement
On September 15, 2010, NAC, SMM and Mitsui executed a Stockholders Agreement, pursuant to which the parties formed a joint venture company, THNC, to build and operate a plant in Barangay Taganito, Claver, Surigao del Norte for the purpose of producing and selling nickel-cobalt mixed sulfide to be used in the production of electrolytic nickel and electrolytic cobalt.

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

In a separate agreement dated December 9, 2011, SMM, which also owns sixty-two and a half percent (62.5%) of THNC, agreed to assume Parent Company’s obligation to make loans to, or guarantee the repayment of, THNC’s loans obligations. The Parent Company, in consideration for this agreement, pays SMM an annual guarantee fee of one percent (1%) of THNC’s outstanding loans obligation.

CBNC Stockholder Agreement
On July 1, 2002, RTN, along with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC’s loans obligation in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC.

In a separate agreement dated October 22, 2002, SMM, which owns fifty-four percent (54%) of CBNC, agreed to assume RTN’s obligation to make loans to, or guarantee the repayment of CBNC’s loans obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of one percent (1%) of CBNC’s outstanding loans obligation.

c. Other Agreements

Funding Commitment with SMM
RTN’s long-term debt was incurred to complete infrastructure projects to support the development of the Coral Bay HPAL facility. These projects included the causeway, trestles and dolphins in the Rio Tuba foreshore and offshore areas (see Note 15).

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

d. Compensation of Key Management Personnel

The Group considers as key management personnel all employees holding managerial positions up to the president. The short-term benefits of key management personnel of the Group in 2014, 2013 and 2012 amounted to about ₱235.1 million, ₱162.6 million and ₱145.8 million, respectively, inclusive of cost of share-based payment of ₱43.0 million, ₱10.4 million and ₱2.8 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱2.9 million, ₱4.1 million, and ₱5.5 million in 2014, 2013, and 2012, respectively.

e. Lease Agreement

On March 18, 2013, the Group entered into a lease agreement with MEI for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. Rent expense pertaining to the lease amounted to ₱19.2 million, ₱10.1 million and nil in 2014, 2013 and 2012, respectively.

Future minimum rent payable under the lease as at December 31, 2014 and 2013 are as follows:

	2014	2013
Within one (1) year	**₱18,397**	₱17,278
After one (1) year but not more than five (5) years	**48,315**	66,831
	₱66,712	₱84,109

f. Loan to EPI with Conversion Option

On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which is to be drawn in two (2) tranches. The first and second tranche of the loan is ₱105.0 million and ₱446.0 million, respectively, with an interest rate of 2% p.a. The Parent Company may convert the entire second tranche loan into the shares of stock of EPI constituting fifty-five percent (55%) of the total issued and outstanding shares of EPI at any time before the lapse of three hundred sixty five (365) days after the drawdown of the entire second tranche loan. To secure the loan, EPI pledge its shares of stock in Occidental Mindoro Consolidated Power Corporation (OMCP) constituting one hundred percent (100%) of OMCP's issued and outstanding shares. The terms and conditions of the loan agreement are disclosed in Note 36a.

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

	2014
Undiscounted convertible loan	₱283,400
Less:	
Derivative asset (see Note 8)	5,508
Day 1 loss on initial recognition (see Note 28)	3,242
Carrying value on initial recognition	274,650
Add:	
Movement in day 1 loss (see Note 28)	1,119
Accretion of interest (see Note 27)	573
Net carrying value	₱276,342

32. **Pension Liability**

Under the existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law* requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the pension liability and pension asset recognized in the consolidated statements of financial position:

	2014	2013
Funded pension liabilities:		
RTN	**₱–**	₱40,187
TMC	**136,502**	164,121
HMC	**20,199**	–
Unfunded pension liabilities:		
NAC	**34,850**	23,214
CMC	**39,787**	31,418
HMC	**–**	20,135
	₱231,338	₱279,075
Funded pension asset:		
RTN (see Note 13)	**₱6,090**	₱–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables summarize the components of net pension costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans:

Changes in net defined benefit liability and fair value of plan assets in 2014, 2013 and 2012 are as follows:

December 31, 2014

	January 1, 2014	Net benefit cost in consolidated statements of income: Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contributions	December 31, 2014
RTN	**₱394,228**	**₱25,712**	**₱19,396**	**₱–**	**₱45,108**	**(₱34,344)**	**₱–**	**(₱230)**	**₱7,872**	**(₱28,655)**	**₱–**	**(₱21,013)**	**₱–**	**₱383,979**
TMC	**241,256**	**22,205**	**11,508**	**–**	**33,713**	**(8,618)**	**–**	**–**	**4,864**	**(21,869)**	**–**	**(17,005)**	**–**	**249,346**
HMC	**20,135**	**3,259**	**1,015**	**1,795**	**6,069**	**(1,093)**	**–**	**–**	**2,014**	**(2,725)**	**–**	**(711)**	**–**	**24,400**
Defined benefit liability	**655,619**	**51,176**	**31,919**	**1,795**	**84,890**	**(44,055)**	**–**	**(230)**	**14,750**	**(53,249)**	**–**	**(38,729)**	**–**	**657,725**
RTN	**(354,041)**	**–**	**(17,340)**	**–**	**(17,340)**	**34,344**	**(22,242)**	**–**	**–**	**–**	**–**	**(22,242)**	**(31,141)**	**(390,420)**
TMC	**(77,135)**	**–**	**(4,342)**	**–**	**(4,342)**	**8,618**	**(3,585)**	**–**	**–**	**–**	**–**	**(3,585)**	**(36,400)**	**(112,844)**
HMC	**–**	**–**	**(102)**	**–**	**(102)**	**–**	**–**	**–**	**–**	**(67)**	**–**	**(67)**	**(4,032)**	**(4,201)**
Fair value of plan assets	**(431,176)**	**–**	**(21,784)**	**–**	**(21,784)**	**42,962**	**(25,827)**	**–**	**–**	**(67)**	**–**	**(25,894)**	**(71,573)**	**(507,465)**
RTN	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**351**	**351**	**–**	**351**
TMC	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
HMC	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Restrictions on asset recognized	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**351**	**351**	**–**	**351**
RTN	**40,187**	**25,712**	**2,056**	**–**	**27,768**	**–**	**(22,242)**	**(230)**	**7,872**	**(28,655)**	**351**	**(42,904)**	**(31,141)**	**(6,090)**
TMC	**164,121**	**22,205**	**7,166**	**–**	**29,371**	**–**	**(3,585)**	**–**	**4,864**	**(21,869)**	**–**	**(20,590)**	**(36,400)**	**136,502**
HMC	**20,135**	**3,259**	**913**	**1,795**	**5,967**	**(1,093)**	**–**	**–**	**2,014**	**(2,792)**	**–**	**(778)**	**(4,032)**	**20,199**
Pension liability (asset)	**₱40,187**	**₱25,712**	**₱2,056**	**₱–**	**₱27,768**	**₱–**	**(₱22,242)**	**(₱230)**	**₱7,872**	**(₱28,655)**	**₱351**	**(₱42,904)**	**(₱31,141)**	**(₱6,090)**
Pension liability	**₱184,256**	**₱25,464**	**₱8,079**	**₱1,795**	**₱35,338**	**(₱1,093)**	**(₱3,585)**	**₱–**	**₱6,878**	**(₱24,661)**	**₱–**	**(₱21,368)**	**(₱40,432)**	**₱156,701**

December 31, 2013

	January 1, 2013	Net benefit cost in consolidated statements of income: Current service cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Effect of asset Ceiling	Subtotal	Contributions	December 31, 2013
RTN	₱306,001	₱24,601	₱20,715	₱45,316	(₱20,691)	₱–	₱54,110	₱9,492	₱–	₱63,602	₱–	₱394,228
TMC	171,213	21,501	10,769	32,270	(5,206)	–	43,138	(159)	–	42,979	–	241,256
Defined benefit liability	477,214	46,102	31,484	77,586	(25,897)	–	97,248	9,333	–	106,581	–	635,484
RTN	(370,170)	–	(24,360)	(24,360)	20,691	19,798	–	–	–	19,798	–	(354,041)
TMC	(69,460)	–	(4,520)	(4,520)	5,206	1,639	–	–	–	1,639	(10,000)	(77,135)
Fair value of plan assets	(439,630)	–	(28,880)	(28,880)	25,897	21,437	–	–	–	21,437	(10,000)	(431,176)
RTN	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
TMC	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
RTN	(56,986)	24,601	(3,158)	21,443	–	19,798	54,110	9,492	(7,670)	75,729	–	40,187
TMC	101,753	21,501	6,249	27,750	–	1,639	43,138	(159)	–	44,619	(10,000)	164,121
Pension liability	₱44,767	₱46,102	₱3,091	₱49,193	₱–	₱21,437	₱97,248	₱9,333	(₱7,670)	₱120,348	(₱10,000)	₱204,308

December 31, 2012

	January 1, 2012	Net benefit cost in consolidated statements of income: Current service cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Effect of asset ceiling	Subtotal	Contributions	December 31, 2012
RTN	₱349,890	₱24,984	₱24,212	₱49,196	(₱33,034)	₱–	(₱6,177)	(₱71,123)	₱17,249	₱–	(₱60,051)	₱–	₱306,001
TMC	153,774	13,785	9,150	22,935	(3,772)	–	–	(7,614)	5,890	–	(1,724)	–	171,213
Defined benefit liability	503,664	38,769	33,362	72,131	(36,806)	–	(6,177)	(78,737)	23,139	–	(61,775)	–	477,214
RTN	(320,181)	–	(21,933)	(21,933)	33,034	(34,561)	–	–	–	–	(34,561)	(26,529)	(370,170)
TMC	(57,879)	–	(3,629)	(3,629)	3,772	(1,724)	–	–	–	–	(1,724)	(10,000)	(69,460)
Fair value of plan assets	(378,060)	–	(25,562)	(25,562)	36,806	(36,285)	–	–	–	–	(36,285)	(36,529)	(439,630)
RTN	–	–	–	–	–	–	–	–	–	7,183	7,183	–	7,183
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	–	–	–	–	–	–	–	–	–	7,183	7,183	–	7,183
RTN	29,709	24,984	2,279	27,263	–	(34,561)	(6,177)	(71,123)	17,249	7,183	(87,429)	(26,529)	(56,986)
TMC	95,895	13,785	5,521	19,306	–	(1,724)	–	(7,614)	5,890	–	(3,448)	(10,000)	101,753
Pension liability (asset)	₱29,709	₱24,984	₱2,279	₱27,263	₱–	(₱34,561)	(₱6,177)	(₱71,123)	₱17,249	₱7,183	(₱87,429)	(₱26,529)	(₱56,986)
Pension liability	₱95,895	₱13,785	₱5,521	₱19,306	₱–	(₱1,724)	₱–	(₱7,614)	₱5,890	₱–	(₱3,448)	(₱10,000)	₱101,753

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in unfunded pension liability as at December 31, 2014, 2013 and 2012 are as follows:

December 31, 2014

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2014	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2014
NAC	**₱23,214**	**₱14,447**	**₱1,117**	**₱15,564**	**₱–**	**₱1,373**	**(₱2,692)**	**(₱2,609)**	**(₱3,928)**	**₱34,850**
CMC	**31,418**	**3,685**	**1,480**	**5,165**	**(2,036)**	**(1,636)**	**(3,503)**	**10,379**	**5,240**	**39,787**
Pension liability	**₱54,632**	**₱18,132**	**₱2,597**	**₱20,729**	**(₱2,036)**	**(₱263)**	**(₱6,195)**	**₱7,770**	**₱1,312**	**₱74,637**

December 31, 2013

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2013	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2013
NAC	₱–	₱4,382	₱–	₱4,382	₱–	₱–	₱–	₱18,832	₱18,832	₱23,214
CMC	24,986	2,943	1,579	4,522	(648)	(4,428)	5,794	1,192	2,558	31,418
HMC	9,794	1,746	648	2,394	–	–	2,783	5,164	7,947	20,135
Pension liability	₱34,780	₱9,071	₱2,227	₱11,298	(₱648)	(₱4,428)	₱8,577	₱25,188	₱29,337	₱74,767

December 31, 2012

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2012	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2012
CMC	₱20,614	₱2,494	₱1,237	₱3,731	(₱715)	₱–	(₱553)	₱1,908	₱1,355	₱24,985
HMC	10,847	1,979	671	2,650	(808)	(415)	(445)	(2,035)	(2,895)	9,794
Pension liability	₱31,461	₱4,473	₱1,908	₱6,381	(₱1,523)	(₱415)	(₱998)	(₱127)	(₱1,540)	₱34,779

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

2014	**RTN**	**TMC**	**HMC**
Fixed income securities	**59.58%**	**74.12%**	**64.95%**
Investments in shares of stock	**14.95%**	**4.67%**	**15.66%**
Others	**25.47%**	**21.21%**	**19.39%**
	100.00%	**100.00%**	**100.00%**

2013	RTN	TMC	HMC
Fixed income securities	54.83%	80.49%	–
Investments in shares of stock	17.24%	5.94%	–
Others	27.93%	13.57%	–
	100.00%	100.00%	–

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining the pension asset (liability) for the Group's plans are shown below:

2014	**NAC**	**RTN**	**TMC**	**HMC**	**CMC**
Discount rate	**5.68%**	**5.76%**	**5.41%**	**5.70%**	**5.39%**
Expected salary increase rate	**5.00%**	**5.00%**	**10.00%**	**5.00%**	**5.00%**

2013	NAC	RTN	TMC	HMC	CMC
Discount rate	4.81%	6.40%	4.77%	5.04%	4.71%
Expected salary increase rate	5.00%	5.00%	10.00%	5.00%	5.00%

2012	NAC	RTN	TMC	HMC	CMC
Discount rate	–	6.77%	6.29%	6.62%	6.32%
Expected salary increase rate	–	5.00%	10.00%	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	**2014**	2013
Discount rates	+100 basis points	**(₱69,178)**	(₱68,433)
	-100 basis points	**83,510**	81,796
Salary increase rate	+100 basis points	**₱74,004**	₱72,534
	-100 basis points	**(63,184)**	(62,379)

As at March 27, 2015, the Group has not yet reasonably determined the amount of 2015 contributions to the retirement fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2014	2013
Within the next twelve (12) months	**₱89,746**	₱36,433
Between two (2) and five (5) years	**187,308**	189,260
Between six (6) and ten (10) years	**339,706**	300,137
Total expected payments	**₱616,760**	₱525,830

The average duration of the pension liability as at December 31, 2014 and 2013 is 14.3 years and 11.8 years, respectively.

33. **Income Taxes**

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of HMC, TMC, RTN, CMC and LCSLC, Gross Income Tax (GIT) of TMC and RTN and Minimum Corporate Income Tax (MCIT) of NAC and CEXCI in 2014, RCIT of HMC, TMC, RTN, GIT of TMC and RTN and MCIT of NAC, CMC and LCSLC in 2013 and RCIT of HMC, TMC and RTN, GIT of TMC and RTN and MCIT of CMC and CEXCI in 2012, as follows:

	2014	2013	2012
TMC	**₱1,623,117**	₱345,837	₱399,002
RTN	**1,287,084**	321,338	424,336
HMC	**736,995**	487,825	428,994
CMC	**585,702**	7,819	11,936
LCSLC	**24,668**	111	–
NAC	**7,899**	6,574	–
CExCI	**3**	–	2
	₱4,265,468	₱1,169,504	₱1,264,270

SNMRC and FEI were in a gross and net taxable loss positions in 2014, 2013 and 2012.

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

	2014	2013	2012
Income tax at statutory rates from non-Philippine Export Zone Authority (PEZA) registered activities	**₱7,444,358**	₱1,785,374	₱1,899,359
Income tax at statutory rates from PEZA registered activities	**448**	(4,554)	4,729
Add (deduct) tax effects of:			
Dividend income exempt from income tax	**(2,706,217)**	(534,152)	(732,575)

(Forward)

	2014	2013	2012
Add (deduct) tax effects of:			
Gain on revaluation of AFS financial asset	**(₱208,294)**	₱–	₱–
Benefits from availment of optional standard deduction	**(80,089)**	(56,877)	(62,861)
Movements in deductible temporary differences for which deferred income taxes were recognized	**(68,349)**	(73,938)	(43,111)
Realized benefit from ESOP exercised	**(65,505)**	–	–
Interest income subjected to final tax	**(47,373)**	(46,249)	(63,248)
Application of unrecognized deferred income tax asset on net operating loss carry over (NOLCO)	**–**	(16,915)	–
Nondeductible expenses	**17,029**	13,032	169,550
Derecognized deferred income tax assets	**–**	–	188,184
Change in unrecognized deferred income tax assets	**(530)**	23,210	4,876
Expired NOLCO and excess of MCIT over RCIT	**10,826**	37,767	1,496
Others	**(3,477)**	(2,483)	(31,701)
Income tax at effective rates	**₱4,292,827**	₱1,124,215	₱1,334,698

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

	2014	2013
Deferred income tax assets:		
NOLCO	**₱83,502**	₱135,139
Allowance for:		
Inventory losses	**46,097**	112,276
Impairment losses on property and equipment and deferred mine exploration costs	**31,053**	1,507
Impairment losses on trade and other receivables	**8,482**	8,903
Impairment losses on advances to claimowners	**–**	4,947
Pension liability	**74,689**	83,722
Valuation gains on AFS financial assets	**(59,376)**	(36,727)
Unrealized foreign exchange gains - net	**(37,280)**	(23,918)
Provision for mine rehabilitation and decommissioning	**36,100**	25,123

(Forward)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2014	2013
Excess of MCIT over RCIT	**₱14,474**	₱26,330
Costs of share-based payment plan	**13,308**	3,028
Deferred income	**3,790**	3,999
Undepleted asset retirement obligation	**(11,760)**	(1,827)
Accrued SDMP costs	**174**	1,003
Others	**4,714**	938
	₱207,967	₱344,443

	2014	2013
Deferred income tax liabilities:		
Long-term stockpile inventory	**₱286,067**	₱351,029
Asset revaluation surplus	**101,022**	104,409
Share in cumulative translation adjustment (see Note 11)	**33,961**	30,790
	₱421,050	₱486,228

The Group did not recognized deferred income tax asset on the following temporary differences since the management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the deferred income tax assets can be utilized in the future.

	2014	2013
NOLCO	**₱77,025**	₱79,892
Allowance for impairment losses	**19,089**	19,087
Excess of MCIT over RCIT	**5**	132
Others	**20**	14
	₱96,139	₱99,125

As at December 31, 2014 and 2013, the Group, except for FEI, has NOLCO and excess of MCIT over RCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

		NOLCO		Excess of MCIT over RCIT	
Year Incurred	Year of Expiration	2014	2013	2014	2013
2014	2017	**₱30,861**	₱–	**₱7,902**	₱–
2013	2016	**24,337**	27,253	**6,575**	14,503
2012	2015	**299,421**	402,125	**2**	11,938
2011	2014	**–**	99,994	**–**	21
		₱354,619	₱529,372	**₱14,479**	₱26,462

As at December 31, 2014 and 2013, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

		NOLCO	
Year Incurred	Year of Expiration	2014	2013
2013	2018	**₱272**	₱272
2012	2017	**267**	267
2011	2016	**208**	208
2009	2014	**–**	238
		₱747	₱985

Movements in NOLCO are as follow:

	2014	2013
Balances at January 1	**₱530,357**	₱1,291,186
Additions	**30,861**	27,525
Applications	**(169,834)**	(90,811)
Expirations	**(36,018)**	(697,543)
Balances at December 31	**₱355,366**	₱530,357

Movements in excess of MCIT over RCIT are as follow:

	2014	2013
Balances at January 1	**₱26,462**	₱11,959
Additions	**7,902**	14,503
Applications	**(19,864)**	–
Expirations	**(21)**	–
Balances at December 31	**₱14,479**	₱26,462

34. **Financial Risk Management Objectives and Policies and Capital Management**

The Group's main financial instruments are cash and cash equivalents, AFS financial assets and long-term debt. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as trade and other receivables, derivative asset and short-term cash investment which are under "Prepayments and other current assets", cash held in escrow, MRF, SDMP fund and long-term negotiable instrument under "Other noncurrent assets" and trade and other payables, which arise directly from its operations and investing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Except for the impaired trade and other receivables, the Group assessed the loans and receivables as collectible and in good standing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In managing credit risk on investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in debt instruments, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign and local equity funds are made in mutual funds with investments in A-rated companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equities is reviewed regularly by the Chief Finance Officer.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure
With respect to credit risk arising from cash and cash equivalents, trade and other receivables, AFS financial assets, derivative asset and short-term cash investment under "Prepayments and other current assets" and cash held in escrow, MRF, SDMP fund and long-term negotiable instrument under "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Quality and Aging Analyses of Financial Assets
The credit quality and aging analysis of the Group's financial assets as at December 31, 2014 and 2013 are summarized in the following tables:

2014	**Neither Past Due Nor Impaired (High)**	**Past Due But Not Impaired (30-180 days)**	**Past Due and Individually Impaired**	**Total**
Cash and cash equivalents	**₱13,550,570**	**₱–**	**₱–**	**₱13,550,570**
Cash with banks	1,217,979	–	–	1,217,979
Short-term cash investments	12,332,591	–	–	12,332,591
Trade and other receivables	**1,205,179**	**107,736**	**34,249**	**1,347,164**
Trade	756,101	98,817	25,058	879,976
Notes receivable	276,342	–	–	276,342
Receivable from CBNC	30,443	8,919	–	39,362
Interest receivable	24,723	–	–	24,723
Amounts owed by related parties	4,493	–	–	4,493
Others	113,077	–	9,191	122,268
Prepayments and other current assets	**205,508**	**–**	**–**	**205,508**
Short-term cash investment	200,000	–	–	200,000
Derivative asset	5,508	–	–	5,508
AFS financial assets	**2,804,429**	**–**	**–**	**2,804,429**
Quoted debt securities	2,104,285	–	–	2,104,285
Quoted equity securities	506,028	–	–	506,028
Unquoted equity securities	194,116	–	–	194,116
Other noncurrent assets	**277,490**	**–**	**–**	**277,490**
MRF	182,431	–	–	182,431
Cash held in escrow	45,112	–	–	45,112
Long-term negotiable instrument	30,000	–	–	30,000
SDMP fund	19,947	–	–	19,947
	₱18,043,176	**₱107,736**	**₱34,249**	**₱18,185,161**

2013	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents	₱10,226,439	₱–	₱–	₱10,226,439
Cash with banks	4,973,946	–	–	4,973,946
Short-term cash investments	5,252,493	–	–	5,252,493
Trade and other receivables	750,745	–	38,943	789,688
Trade	628,418	–	26,150	654,568
Receivable from CBNC	50,049	–	–	50,049
Interest receivable	11,635	–	–	11,635
Amounts owed by related parties	9,212	–	–	9,212
Others	51,431	–	12,793	64,224
AFS financial assets	2,438,938	–	–	2,438,938
Quoted debt securities	1,207,033	–	–	1,207,033
Quoted equity securities	313,161	–	–	313,161
Unquoted equity securities	918,744	–	–	918,744
Other noncurrent assets	237,584	–	–	237,584
MRF	125,467	–	–	125,467
Cash held in escrow	65,118	–	–	65,118
Long-term negotiable instrument	30,000	–	–	30,000
SDMP fund	16,999	–	–	16,999
	₱13,653,706	₱–	₱38,943	₱13,692,649

Credit Quality of Financial Assets
The credit quality of financial assets is managed by the Group using credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash and cash equivalents, short-term cash investment, cash held in escrow, MRF and SDMP fund are placed in various foreign and local banks. Material amounts are held by local banks, as approved by the BOD, that have good reputation and low probability of insolvency. The rest are held by various foreign banks having a Standard and Poor's credit rating of at least A. Management assesses the quality of these assets as high grade.

- Trade receivables, notes receivable, receivable from CBNC, and derivative asset pertain to receivables from customers or related parties which have good financial capacity and with which the Group has already established a long outstanding and good business relationship. Management assesses the quality of these assets as high grade. Trade and other receivables not foreseen to be collected are classified as substandard grade.

- Interest receivables derived from short-term cash investments and cash held in escrow placed in various foreign and local banks with S&P credit rating of at least A and with low probability of insolvency, respectively, are assessed as high grade. Interest receivable from long term AFS debt securities and long term negotiable instrument are also assessed as high grade since these are invested in companies with good reputation and sound financial condition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Amounts owed by related parties are advances that are due and demandable. The related parties are operating firms capable of repaying the amount due. Management assesses the quality of these assets as high grade.

- Management assesses the quality of other receivables as standard grade since amounts are settled after due date.

- AFS financial assets in debt and equity securities are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

- Long-term negotiable instrument is an investment placed in a local bank with good financial capacity and with low probability of insolvency. Management assessed the quality of this asset as high grade.

Liquidity Risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance its exploration and mining activities through internally generated funds and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2014 and 2013 based on contractual undiscounted payments.

2014	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Trade and other payables					
Trade	**₱228,897**	**₱380,139**	**₱105,976**	**₱–**	**₱715,012**
Accrued expenses	**196,723**	**85,400**	**30,837**	**–**	**312,960**
Interest payable	**6,309**	**–**	**–**	**–**	**6,309**
Amounts owed to a related party	**–**	**–**	**2,520**	**–**	**2,520**
Retention payable	**446**	**118**	**–**	**–**	**564**
Others	**11,128**	**2,550**	**129**	**–**	**13,807**
Long-term debt					
Principal	**–**	**20,034**	**98,295**	**1,313,203**	**1,431,532**
Interest	**–**	**–**	**24,078**	**444,079**	**468,157**
	₱443,503	**₱488,241**	**₱261,835**	**₱1,757,282**	**₱2,950,861**

2013	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱282,441	₱179,385	₱21,816	₱–	₱483,642
Accrued expenses	35,371	105,761	100,090	–	241,222
Interest payable	6,959	–	–	–	6,959
Amounts owed to a related party	–	–	2,016	–	2,016
Retention payable	34,168	–	–	–	34,168
Others	–	11,698	–	–	11,698
Long-term debt					
Principal	–	19,889	97,580	1,421,128	1,538,597
Interest	–	–	25,141	481,592	506,733
	₱358,939	₱316,733	₱246,643	₱1,902,720	₱2,825,035

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2014 and 2013.

2014	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Cash and cash equivalents					
Cash on hand and with banks	**₱1,229,212**	**₱–**	**₱–**	**₱–**	**₱1,229,212**
Short-term cash investments	**12,332,591**	**–**	**–**	**–**	**12,332,591**
Trade and other receivables					
Trade	**753,196**	**113,252**	**13,528**	**–**	**879,976**
Notes receivable	**–**	**–**	**276,342**	**–**	**276,342**
Receivable from CBNC	**8,919**	**30,443**	**–**	**–**	**39,362**
Interest receivable	**24,723**	**–**	**–**	**–**	**24,723**
Amounts owed by related parties	**4,493**	**–**	**–**	**–**	**4,493**
Others	**122,268**	**–**	**–**	**–**	**122,268**
Prepayments and other current assets					
Short-term cash investment	**200,000**	**–**	**–**	**–**	**200,000**
Derivative asset	**–**	**–**	**5,508**	**–**	**5,508**
AFS financial assets					
Quoted debt securities	**2,104,285**	**–**	**–**	**–**	**2,104,285**
Quoted equity securities	**506,028**	**–**	**–**	**–**	**506,028**
Unquoted equity securities	**194,116**	**–**	**–**	**–**	**194,116**
Other noncurrent assets					
MRF	**182,431**	**–**	**–**	**–**	**182,431**
Cash held in escrow	**45,112**	**–**	**–**	**–**	**45,112**
Long-term negotiable instrument	**–**	**–**	**–**	**30,000**	**30,000**
SDMP fund	**19,947**	**–**	**–**	**–**	**19,947**
	₱17,727,321	**₱143,695**	**₱295,378**	**₱30,000**	**₱18,196,394**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2013	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱4,981,843	₱–	₱–	₱–	₱4,981,843
Short-term cash investments	5,252,493	–	–	–	5,252,493
Trade and other receivables					
Trade	525,178	74,857	22,042	32,491	654,568
Receivable from CBNC	50,049	–	–	–	50,049
Interest receivable	11,635	–	–	–	11,635
Amounts owed by related parties	9,212	–	–	–	9,212
Others	50,091	2,729	154	11,250	64,224
AFS financial assets					
Quoted debt securities	1,207,033	–	–	–	1,207,033
Quoted equity securities	313,161	–	–	–	313,161
Unquoted equity securities	918,744	–	–	–	918,744
Other noncurrent assets					
MRF	125,467	–	–	–	125,467
Cash held in escrow	65,118	–	–	–	65,118
Long-term negotiable instrument	–	–	–	30,000	30,000
SDMP fund	16,999	–	–	–	16,999
	₱13,527,023	₱77,586	₱22,196	₱73,741	₱13,700,546

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest rates, equity prices and other market changes.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Transactions with companies outside the Philippines and with CBNC and THNC for the sale of saprolite and limonite ore are carried out with currencies that management believes to be stable such as the US$.

The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, AFS financial assets, trade and other payables and long-term debt. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

To mitigate the effects of foreign currency risk, the Group ensures timely follow-up and accelerates the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables and loans, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$150,412**	**₱6,726,410**	$59,395	₱2,636,863
Trade and other receivables	**17,337**	**775,323**	11,526	538,074
AFS financial assets	**18,591**	**831,384**	17,063	757,510
	$186,340	**₱8,333,117**	$87,984	₱3,932,447
Financial liabilities:				
Trade and other payables	**$1,518**	**₱67,880**	$1,434	₱63,422
Long-term debt	**32,011**	**1,431,532**	34,657	1,538,598
	$33,529	**₱1,499,412**	$36,091	₱1,602,020

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱44.72 and ₱44.40 as at December 31, 2014 and 2013, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, in the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2014 and 2013 follows:

	Peso Weakens (Strengthens)	Sensitivity to pretax income
2014	**₱0.65**	**₱99,327**
	(0.50)	**(76,405)**
2013	₱0.70	₱36,325
	(0.55)	(28,541)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rate relates to AFS quoted fixed and floating debt instruments and floating-rate long-term debt.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

es set out the carrying amount, by maturity, of the Group's financial instrument
ash flow interest rate risk:

	<1 year	1-5 years	>5 years	Total
BOR plus 2%				
-term debt	**₱118,329**	**₱413,213**	**₱899,990**	**₱1,431,532**

	<1 year	1-5 years	>5 years	Total
OR plus 2% spread) -				
	₱117,469	₱527,679	₱893,449	₱1,538,597

ves that cash generated from operations is sufficient to pay for its obligations
ements as they fall due. As at December 31, 2014 and 2013, the interest on the
debt is repriced on a 180-day basis.

reasonably possible change in the interest rate (in basis points), with all
d constant, in the Group's income before income tax and equity as at
4 and 2013 are as follows:

	Change in interest rate (in basis points)	Sensitivity to income before income tax	Sensitivity to equity
2014			
cial assets	**+100**		**(₱21,043)**
	-100		**21,043**
n debt	**+100**	**(₱14,315)**	
	-100	**14,315**	
2013			
cial assets	+100		(₱37,923)
	-100		37,923
debt	+100	(₱15,386)	
	-100	15,386	

Group's income before income tax is caused by changes in the interest of the
erm debt, while the impact on the Group's equity is caused by the changes in
f AFS quoted debt due to interest rate movements. The impact on the Group's
e impact on transactions affecting the consolidated statement of income.

the risk to earnings or capital arising from changes in stock prices relating to
ecurities. The Group's exposure to equity price risk relates primarily to its AFS
various stocks of listed companies.

y is to maintain the risk to an acceptable level. Movement of share price is
y to determine impact on its financial position.

The table shows the sensitivity to a reasonably possible change in equity prices of AFS quoted equity instruments as at December 31, 2014 and 2013, except equity-linked investments.

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
2014	**12.39%**	**₱6,269**
	-12.39%	**(6,269)**
2013	22.23%	₱18,393
	-22.23%	(18,393)

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

Capital Management
The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2014 and 2013.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, deferred income, long-term debt, provision for mine rehabilitation and decommissioning, deferred income tax liabilities - net and pension liability.

The Group considers the following as capital:

	2014	2013
Capital stock	**₱1,272,495**	₱1,266,780
Stock dividends distributable	**632,648**	–
Additional paid-in capital	**8,273,655**	8,151,603
Net valuation gains on AFS financial assets	**171,322**	99,506
Cost of share-based payment plan	**47,060**	49,524
Asset revaluation surplus	**33,246**	33,629
Share in cumulative translation adjustment	**82,154**	140,201
Retained earnings:		
Appropriated	**1,000,000**	1,000,000
Unappropriated	**15,673,051**	9,748,905
NCI	**3,716,715**	4,721,640
	₱30,902,346	₱25,211,788

low shows the Group's debt-to-equity ratio as at December 31, 2014 and 2013.

	2014	2013
bilities (a)	**₱4,281,562**	₱3,701,740
b)	**30,902,346**	25,211,788
equity ratio (a/b)	**0.14:1**	0.15:1

nstruments

ng method and assumptions were used to estimate the fair value of each class of truments for which it is practicable to estimate such values:

ash Equivalents and Short-term Cash Investment
g amount of cash and cash equivalents and short-term cash investment approximate ues due to the short-term nature and maturity of these financial instruments.

Other Receivables, Derivative Asset and Trade and Other Payables
e carrying amounts of trade and other receivables, derivative asset and trade and other proximate their fair values due to the short-term nature of these accounts.

Escrow, MRF, SDMP Fund and Long-term Negotiable Instrument
g amount of cash held in escrow, SDMP fund and MRF approximate their fair values e restricted cash with banks, which earns interest based on prevailing market rates nthly. The long-term negotiable instrument also approximates its fair value since it t based on long-term cash investment rate.

ial Assets
ues were determined by reference to market bid quotes as at the end of the reporting unquoted equity securities for which no reliable basis of fair value measurement is ese are carried at cost, less any impairment losses.

Debt
ues of long-term debt is based on the present value of future cash flows discounted able risk free rates for similar types of loans adjusted for credit risk.

Hierarchy
ses the following hierarchy for determining and disclosing the fair value by valuation

prices in active markets for identical asset or liability (Level 1);
nvolving inputs other than quoted prices included in Level 1 that are observable for the liability; either directly (as prices) or indirectly (derived from prices; Level 2); and nputs for assets or liability that are not based on observable market date (unobservable Level 3).

	2014			2013		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Asset measured at fair value:						
AFS financial assets						
Quoted debt securities	**₱2,104,285**	**₱–**	**₱–**	₱1,207,033	₱–	₱–
Quoted equity securities	**506,028**	**–**	**–**	313,161	–	–
	2,610,313	**–**	**–**	1,520,194	–	–
Liability for which fair value is disclosed:						
Long-term debt	**–**	**–**	**1,165,857**	–	–	1,207,981
	₱2,610,313	**₱–**	**(₱1,165,857)**	₱1,520,194	₱–	(₱1,207,981)

As at December 31, 2014 and 2013, the fair value of the quoted debt and equity securities is the quoted market price at the close of the business (Level 1).

As at December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

36. Significant Agreements

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

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

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

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

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

During 2014, the first tranche loan in the amount of ₱105.0 million and forty percent (40%) of the second tranche loan in the amount of ₱178.4 million were already released to EPI. The carrying value of the Parent Company's notes receivable from EPI as at December 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b. Throughput Agreements

THNC
On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the DENR that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

Under the agreement, TMC will make available the pier facilities and provide certain services to THNC in consideration for usage fees and service fees to be paid by the latter starting April 2011 until 2031, unless terminated earlier. The usage fee amounted to US$1.4 milion for each semi-annual period to be paid on or before October 10 and April 10.

THNC also agrees to pay service fee that will be agreed upon by both parties which shall be billed on a monthly basis.

Prior to the commencement date, THNC may also request TMC to use any part of the constructed pier facilities, which is ready for use, upon payment of reasonable compensation which shall be mutually agreed by TMC and THNC.

In 2014, 2013 and 2012, service revenues from usage of pier facilities of TMC amounted to ₱124.6 million, ₱119.3 million and ₱119.0 million, respectively (see Note 31).

CBNC
Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in US$, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

c. Memorandum of Understanding (MOU)
On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology to be located within the TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project. The estimated cost of the Project is US$1,420.0 million, which further increased to US$1,590.0 million, over a three-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 51,000 dry metric tons of mixed nickel - cobalt sulfide over an estimated 30-year project life. The MOU provides that the equity share of the Parent Company and SMM shall be 20%-25% and 75%-80%, respectively.

Following the MOU is the Taganito HPAL Stockholders Agreement (the Agreement) entered into by the Parent Company, SMM and Mitsui, on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Parent Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. Pursuant to

the Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Parent Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations.

It also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US$1,420.0 million, which further increased to US$1,590.0 million, project investment that will be undertaken by THNC.

The agreement shall terminate upon the dissolution of THNC.

On November 20, 2012, the Parent Company, SMM and Mitsui made additional investment of US$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the Parent Company pays guarantee service fee.

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

d. Sales Agreements

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

Nickel Ore Supply and Service Agreement with CBNC (see Note 31a)

Nickel Ore Supply Agreement with THNC (see Note 31a)

Nickel Ore Sale Agreement with SMM (see Note 31a)

Nickel Ore Supply Agreements with Chinese customers
HMC, CMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content.

The fixed tonnage of ore is generally the volume of expected delivery within a few months. Sale of ore to Chinese customers amounted to ₱15.6 billion, ₱7.4 billion and ₱7.4 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

Nickel Ore Supply Agreement with Queensland Nickel Pty Ltd (QNI)
CMC entered into an agreement with QNI covering the sale of CMC's ore products at a fixed tonnage and specific nickel grade and iron content. Sale of ore to QNI amounted to ₱198.6 million in 2014 and nil in 2013 and 2012.

Materials Handling Agreement with THNC (see Note 31a)

e. Mining Agreements

i. *MPSA*

RTN

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

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

Under both MPSAs, RTN pays a two percent (2%) excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending. On May 30, 2008, the PCSD issued a resolution interposing no objections to the revision by the Municipality of Bataraza of its Environmentally Critical Areas Network map that, among others, seeks to reclassify the core zone within the Contract Area into a mineral development area. The reclassification was approved by the Municipal Development Council of the Municipality of Bataraza on November 18, 2009, and subsequently approved by the Provincial Board on January 5, 2010. As at December 31, 2014, RTN is awaiting for the Strategic Environmental Plan clearance from PCSD as a requirement in obtaining ECC approval from DENR. The processing of the Application for MPSA by the MGB is consequently under way.

HMC

Tagana-an Nickel Project

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into an MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 773.77 hectares in the Municipality of Tagana-an, Surigao del Norte. Under the MPSA, HMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty on gross revenues, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

Manicani Nickel Project

On August 13, 1992, HMC and the Government entered into an MPSA, which allows HMC to explore, develop and mine nickel ore within the Contract Area covering 1,165 hectares in Manicani Island, Municipality of Guian, Eastern Samar. Under the MPSA, HMC shall pay the Government a two percent (2%) excise tax, a one percent (1%) royalty and ten percent (10%) of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On August 2, 2004, the Regional Panel of Arbitrators of the MGB recommended the cancellation of the MPSA as a result of allegations by third parties against the operations of HMC. On September 4, 2009, the Mines and Adjudication Board of the DENR issued a decision setting aside the decision of the Panel of Arbitrators. Hence, the MPSA remains in effect. HMC is currently not conducting mining operations in Manicani.

On July 30, 2010, HMC and SNMRC entered into a Deed of Assignment and Transfer of Rights whereas HMC shall transfer all its rights, title and interest in Manicani Operations to SNMRC.

On June 1, 2014, HMC and SNMRC entered in a Mutual Rescission of Deed of Assignment. Both parties have mutually agreed to terminate the Deed and release each other from any and all responsibilities or obligations, there under, after confirming that there were no outstanding liabilities and obligations due to each other.

TMC

On July 28, 2008, the Government approved the conversion of TMC's Operating Contract into an MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 4,584.51 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the Contract Area to 4,862.71 hectares.

Under the MPSA, TMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

ii. *Operating Agreements*

TMC

La Salle

On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued.

The Operating Agreement specifies a royalty to La Salle of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of twenty five percent (25%) per year over a period of four (4) years. As at December 31, 2014, the MPSA remains pending.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Kepha
On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of MPSA no. 284-2009-XII-SMR covering 6,980.75 hectares in the Municipality of Claver, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance royalty payment of US$1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government. There were drilling activities related to the Kepha project in 2014.

Ludgoron
On August 28, 2007, TMC entered into an Operating Agreement with Ludgoron, the holder of an MPSA with Government issued on July 27, 2007 covering a Contract Area of 3,248 hectares in the Municipality of Carrascal, Surigao del Sur. The Operating Agreement allows TMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, upon the start of mining operations TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Ludgoron, with approval from the Government.

Under the Operating Agreement, TMC shall pay Ludgoron a royalty of five percent (5%). Upon signing of the Agreement, TMC made an advance royalty payment of US$1.0 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years. In 2009, an additional advances against royalties amounting to ₱10.0 million was made in order to allow Ludgoron to settle a claims conflict.

On October 10, 2014, TMC rescinded and terminated the Operating Agreement with Ludgoron. TMC wrote-off its deferred charges on Ludgoron amounting to ₱1.9 million (see Note 29).

Ludgoron is obliged to return to TMC the amount of ₱66.8 million which represent advances to claimowners. Ludgoron already paid TMC an amount of ₱10.0 million and will pay additional ₱23.4 million upon approval of MGB of the transfer of the Operating Agreement to Kafugan Mining Incorporated. The remaining balance will be settled by Ludgoron in due time.

CMC
East Coast
On November 19, 1997, CMC entered into an Operating Agreement with East Coast, the holder of an MPSA with the Government issued on November 19, 1997 covering a Contract Area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The Operating Agreement allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

The Operating Agreement expired on November 19, 2007 and was renewed for a period of ten (10) years. In consideration, East Coast was paid ₱100.0 million upon signing of the extension which was recorded an advances against future royalties, repayable over a ten-year period at a rate of ₱10.0 million per year. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of East Coast, with approval from the Government.

Under the MPSA, CMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation.

On July 29, 2013, East Coast and CMC entered into an agreement to reduce for one-year period the marketing and royalty fees. Royalty payments to East Coast was reduced from 7% (net of withholding taxes) to 5% during this period. Advances against future royalties, to which the royalty payment shall be credited was also reduced from ₱10.0 million per year to ₱3.6 million and ₱6.4 million in 2013 and 2014, respectively. The repayment of advances at ₱10.0 million per year will resume in 2015 up to 2018.

The commission expense related to East Coast that is reported under “Marketing” amounted to ₱109.3 million, ₱27.4 million and ₱54.8 million in 2014, 2013 and 2012, respectively.

BOA Exploration Agreement
On October 12, 2004, CMC executed a Memorandum of Agreement (MOA) with Norweah Metals and Minerals Company, Inc. for the exclusive rights to explore, develop, exploit and operate the mineral property subject of MPSA No. 241-2007 covering an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte. The MOA is effective for a term of ten (10) years commencing on July 12, 2007, the date the MPSA was approved.

f. Loan Guarantee/Substitution Agreement

RTN
Under a loan guarantee service agreement dated October 22, 2002 between RTN and SMM, the latter agreed to satisfy RTN’s CBNC loan obligations in consideration of the payment by RTN to SMM of an annual fee equal to one percent (1%) of the relevant outstanding amount.

The fee is payable every February 21 and August 20 of each year. In case of default, such loan guarantee service agreement will be terminated and RTN shall provide loans to CBNC or guarantee the repayment of CBNC’s loans payable. Failure to provide such loans or guarantee shall be considered a default under the CBNC Stockholder Agreement.

The loan guarantee service fee amounting to ₱0.6 million, ₱0.9 million and ₱1.3 million in 2014, 2013 and 2012, respectively, is recorded under “Finance expense” in the consolidated statements of income (see Note 28).

NAC
Under a loan guarantee/substitution agreement dated December 9, 2011 between NAC and SMM, the latter agreed to substitute for NAC to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, NAC shall pay to SMM an annual fee equal to one percent (1%) of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 18 and December 3, 2013, NAC and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on December 3 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

In case of default, such loan guarantee/substitution agreements will be terminated and NAC shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

The loan guarantee service fee amounting to ₱134.2 million, ₱103.3 million and ₱82.7 million in 2014, 2013 and 2012, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 28).

g. Power Supply Agreement (PSA) with Surigao Del Norte Electric Cooperative, Inc. (SURNECO)
On October 31, 2013, the Parent Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Parent Company has agreed to construct, operate, and maintain a ten (10) megawatts bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO.

The target effectivity date of the PSA shall be five (5) months from the signing date and the target commercial operation date shall be nine (9) months from the effectivity date of the PSA. The total estimated cost to construct the ten (10) MW bunker-fired diesel power station is about ₱1,000.0 million, which was appropriated from its retained earnings (see Note 17).

h. Participation and Shareholder's Agreement
In May 2011, NAC and SMM signed a Participation and Shareholders' Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest US$1.5 million in CExCI for twenty five percent (25%) equity. Once such funds have been exhausted, SMM has the option to invest US$2.8 million for an additional fifteen percent (15%) equity which would bring its total equity in CExCI to forty percent (40%).

i. Marketing Agreement with Mitsubishi Corporation
RTN, TMC, HMC and CMC entered into a marketing agreement with Mitsubishi Corporation, wherein they will provide set forth below:
a) To use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
b) To periodically report market information defined in the marketing agreement;
c) To make efforts to introduce customers to RTN, TMC, HMC and CMC and provide support to the Group in negotiating the price and terms and conditions of sales contracts of the products by and between the Group and customers; and
d) To monitor and assess trends of customers and support RTN, TMC, HMC and CMC to create an effective pricing strategy and marketing plan.

Marketing fees of three and a half percent (3.5%) shall be charged to RTN, TMC, HMC and CMC based on the total amount of revenue on free-on-board price stated in the invoices issued by RTN, TMC, HMC and CMC to each customer.

Marketing fees charged by Mitsubishi Corporation amounted to ₱59.6 million, ₱38.2 million and ₱39.0 million in 2014, 2013 and 2012, respectively.

j. Other Agreements
Registration with PEZA - TMC
On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680-hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte to be known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended.

Under PEZA Board Resolution No. 11-08 dated March 1, 2011, its directors approved TMC's application for extension of its existing TSEZ. On July 28, 2011, pursuant to the resolution, the Government issued Proclamation No. 211 designating parcels of land with an aggregate area of 7.5 hectares located at Barangay Taganito, municipality of Claver, Province of Surigao del Norte, for inclusion to the existing TSEZ.

On January 23, 2013, PEZA issued a Letter of Authority No. 13-0426 allowing TMC to allocate one (1) hectare lot within the TSEZ located at Barangay Taganito, Claver, Surigao del Norte as relocation site for the residents along Hayanggabon River, Barangay Hayanggabon, Claver, Surigao del Norte.

On January 23, 2014, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay five percent (5%) final tax on gross income. The certification is valid from January 1 to December 31, 2014 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Registration with PEZA - RTN
On December 13, 2002, RTN registered with the PEZA as the developer/operator of Rio Tuba Processing Zone, located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The PEZA-registered activities are entitled to certain tax and nontax incentives. Starting 2003, such activities are already subject to five percent (5%) tax based on GIT in lieu of national and local taxes and licenses except those required to be paid under the MPSA dated June 4, 1998 executed by and between the DENR and RTN.

Board of Investments (BOI) Certification
In January 2014, TMC, RTN, HMC and CMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales". The certifications are valid from January 1 to December 31, 2014 and renewable annually, unless sooner revoked by the BOI Governing Board.

reement with THNC
er 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration se agreement shall be for a period of twenty (20) years starting January 1, 2013, rental rate shall be annually agreed by both parties. TMC's rental income from the amounted to ₱6.7 million in 2014 and 2013 and nil in 2012.

ve lease agreement, it was agreed by TMC and THNC that the option fee of lion received in 2010 shall be treated as advance rental and deducted from the annual The same shall be equally applied to each year of the lease term or ₱4.2 million of the twenty (20)-year lease term.

ntract with the DENR
party to a lease contract dated April 10, 2003 with the DENR over a tract of land located at the Taganito mine comprising an area of approximately 12,000 ters. The foreshore lease has a term of twenty-five (25) years from the date of issue, minated earlier. The DENR may renew the foreshore lease for another ve (25) years, at its option. In accordance with the foreshore lease, TMC constructed t improvements appropriate for the wharf to facilitate the barging of mine ore to ' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises purposes, all rights and interests, including the improvements, will be forfeited in he Government. Upon the termination of the lease or any extension, all ents made by TMC will become the property of the Government.

ertaking with National Commission on Indigenous Peoples (NCIP)
nber 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that cent (1%) royalty on annual gross revenues of TMC is payable to the Mamanwa suant to a MOA dated July 18, 2006 between TMC, the NCIP and the Tribe and a e of Ancestral Domain Title issued to the Tribe, within which area TMC's mining is located.

t with Local Government Units
ther with RTN Foundation, Inc. and CBNC entered into Agreements with the councils and community residents covered in the SDMP as required by law and as conditions of ECC. The Agreement stipulated that RTN and CBNC should meet ing needs and demands of the communities and shall submit the SDMP every five to the MGB Region IV for approval. In addition, as part of the process of securing nt of affected communities, the program must be prepared in consultation and in p with the project proponent and neighboring communities. On January 7, 2014, o. MGB-IVB-2013-003 III was approved by the MGB covering the period of five (5) n 2014 to 2018. RTN incurred royalty payments to indigenous people amounting to lion in 2014, in accordance with the said SDMP.

37. Events after the End of the Reporting Period

<u>*Loan Guarantee/Substitution Agreement*</u>
On January 26, 2015, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on August 4, 2014. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

<u>*Dividend Declarations*</u>
On March 27, 2015, the Parent Company's BOD declared regular and special cash dividends amounting to ₱0.70 per share and ₱0.30 per share, respectively, to stockholders of record as at April 15, 2015 which will be paid on April 27, 2015.

On the same date, the Parent Company's BOD resolved, subject to the ratification of the stockholders, the declaration of one hundred percent (100%) stock dividends. The stock dividends shall be issued upon approval of the Parent Company's application for increase in authorized capital stock by the SEC.

On March 25, 2015, CMC's BOD declared cash dividends amounting to ₱550.0 million, equivalent to ₱1.22 per share, to stockholders of record as of the said date. The cash dividends will be paid in two (2) tranches, US$10.0 million on April 15, 2015 and the remaining balance will be paid on July 31, 2015.

<u>*Loan Conversion to EPI*</u>
The BOD of the Parent Company also approved the conversion of the loan to EPI and an additional investment of about ₱474.0 million, which will equate to sixty-six percent (66%) equity interest in EPI, subject to the receipt of a satisfactory Volumetric Assessment Report expected to be completed in April.

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing activity pertains to the declaration of stock dividend amounting to ₱632.6 million and ₱251.9 million in 2014 and 2013, respectively.

39. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC and THNC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 2014								
	Mining				Services				
	HMC	CMC	TMC	RTN	RTN/TMC	LCSLC/HMC	Others	Eliminations	Total
External customers	**₱5,051,719**	**₱3,595,474**	**₱8,478,977**	**₱6,926,564**	**₱690,664**	**₱2,306**	**₱–**	**₱–**	**₱24,745,704**
Inter-segment revenues	–	–	–	–	–	**76,704**	**776,902**	**(853,606)**	–
Total revenues (see Note 31)	**5,051,719**	**3,595,474**	**8,478,977**	**6,926,564**	**690,664**	**79,010**	**776,902**	**(853,606)**	**24,745,704**
Cost of sales	**1,071,477**	**508,198**	**1,525,064**	**2,251,672**	–	–	–	–	**5,356,411**
Cost of services	–	–	–	–	**369,004**	**2,146**	–	–	**371,150**
Shipping and loading costs	**579,024**	**224,525**	**614,205**	**396,417**	–	**23,397**	–	–	**1,837,568**
Excise taxes and royalties	**353,620**	**515,099**	**678,318**	**207,797**	–	–	–	–	**1,754,834**
Marketing	**28,295**	**109,298**	**18,354**	**12,996**	–	–	–	–	**168,943**
Segment operating earnings	**₱3,019,303**	**₱2,238,354**	**₱5,643,036**	**₱4,057,682**	**₱321,660**	**₱53,467**	**₱776,902**	**(₱853,606)**	**₱15,256,798**
General and administrative	**₱171,481**	**₱39,621**	**₱160,010**	**₱97,182**	**₱–**	**₱2,655**	**₱485,915**	**₱–**	**₱956,864**
Finance income	**₱12,582**	**₱8,051**	**₱29,391**	**₱31,415**	**₱–**	**₱64**	**₱90,601**	**₱–**	**₱172,104**
Finance expenses	**₱6,837**	**₱3,751**	**₱8,710**	**₱7,612**	**₱–**	**₱–**	**₱137,459**	**₱–**	**₱164,369**
Provision for income tax	**₱789,010**	**₱652,722**	**₱1,600,874**	**₱1,210,754**	**₱–**	**₱21,814**	**₱17,653**	**₱–**	**₱4,292,827**
Net income (loss) attributable to equity holders of the parent	**₱2,300,011**	**₱1,640,105**	**₱2,745,373**	**₱1,912,575**	**₱–**	**(₱47,783)**	**₱1,346**	**₱–**	**₱8,551,627**
Segment assets	**₱2,138,830**	**₱1,761,437**	**₱8,275,250**	**₱4,820,612**	**₱–**	**₱172,138**	**₱17,807,674**	**₱–**	**₱34,975,941**
Deferred income tax assets - net	**45,704**	**27,934**	**73,874**	**2,672**	–	–	**57,783**	–	**207,967**
Total assets	**₱2,184,534**	**₱1,789,371**	**₱8,349,124**	**₱4,823,284**	**₱–**	**₱172,138**	**₱17,865,457**	**₱–**	**₱35,183,908**
Segment liabilities	**₱450,858**	**₱362,647**	**₱1,835,113**	**₱996,482**	**₱–**	**₱3,915**	**₱211,497**	**₱–**	**₱3,860,512**
Deferred income tax liabilities - net	–	–	–	**358,113**	–	**28,976**	**33,961**	–	**421,050**
Total liabilities	**₱450,858**	**₱362,647**	**₱1,835,113**	**₱1,354,595**	**₱–**	**₱32,891**	**₱245,463**	**₱–**	**₱4,281,562**
Capital expenditures	**₱315,869**	**₱196,505**	**₱594,116**	**₱234,072**	**₱–**	**₱3,225**	**₱213,285**	**₱–**	**₱1,557,072**
Depreciation, amortization and depletion	**₱166,658**	**₱89,732**	**₱550,803**	**₱478,070**	**₱–**	**₱18,060**	**₱70,011**	**₱–**	**₱1,373,334**

	December 31, 2013								
	Mining				Services				
	HMC	CMC	TMC	RTN	RTN/TMC	LCSLC	Others	Eliminations	Total
External customers	₱3,438,856	₱737,906	₱3,109,101	₱3,189,634	₱612,830	₱11,112	₱10,090	₱–	₱11,109,529
Inter-segment revenues	–	–	–	–	1,159	71,478	434,953	(507,590)	–
Total revenues (see Note 31)	3,438,856	737,906	3,109,101	3,189,634	613,989	82,590	445,043	(507,590)	11,109,529
Cost of sales	927,692	422,058	1,122,846	2,016,698	–	–	–	–	4,489,294
Cost of services	–	–	–	–	335,292	–	–	–	335,292
Shipping and loading costs	444,164	141,109	457,029	268,847	–	87,622	–	–	1,398,771
Excise taxes and royalties	240,720	95,368	248,728	63,792	–	–	–	–	648,608
Marketing	21,065	28,228	4,462	11,874	–	–	–	–	65,629
Segment operating earnings	₱1,805,215	₱51,143	₱1,276,036	₱828,423	₱278,697	(₱5,032)	₱445,043	(₱507,590)	₱4,171,935
General and administrative	₱66,117	₱34,038	₱110,899	₱111,172	₱–	₱12,156	₱290,437	₱–	₱624,819
Finance income	₱14,332	₱2,515	₱15,683	₱49,750	₱–	₱12	₱84,461	₱–	₱166,753
Finance expenses	₱5,327	₱3,450	₱7,007	₱6,896	₱–	₱2,267	₱103,351	₱–	₱128,298
Provision for (benefit from) income tax	₱516,384	(₱8,787)	₱350,677	₱247,190	₱–	₱7,589	₱11,162	₱–	₱1,124,215
Net income (loss) attributable to equity holders of the parent	₱1,473,262	₱21,554	₱640,531	₱595,162	₱–	(₱98,064)	(₱578,771)	₱–	₱2,053,674
Segment assets	₱1,943,798	₱954,295	₱6,708,837	₱7,740,945	₱–	₱263,195	₱10,958,015	₱–	₱28,569,085
Deferred income tax assets - net	97,366	93,381	58,458	4,709	–	–	90,529	–	344,443
Total assets	₱2,041,164	₱1,047,676	₱6,767,295	₱7,745,654	₱–	₱263,195	₱11,048,544	₱–	₱28,913,528
Segment liabilities	₱419,751	₱152,185	₱1,970,952	₱547,866	₱–	₱5,270	₱119,488	₱–	₱3,215,512
Deferred income tax liabilities - net	–	–	–	423,608	–	31,830	30,790	–	486,228
Total liabilities	₱419,751	₱152,185	₱1,970,952	₱971,474	₱–	₱37,100	₱150,278	₱–	₱3,701,740
Capital expenditures	₱346,186	₱114,084	₱1,256,229	₱129,461	₱–	₱28,009	₱57,156	₱–	₱1,931,125
Depreciation, amortization and depletion	₱123,760	₱72,484	₱336,736	₱488,985	₱–	₱174,003	₱66,683	₱–	₱1,262,651

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2012								
	Mining				Services				
	HMC	CMC	TMC	RTN	RTN/TMC	LCSLC	Others	Elimination	Total
External customers	₱2,881,204	₱1,130,033	₱3,093,866	₱4,038,188	₱437,655	₱6,547	₱19,414	₱–	₱11,606,907
Inter-segment revenues	–	–	–	–	–	347,540	39,519	(387,059)	–
Total revenues (see Note 31)	2,881,204	1,130,033	3,093,866	4,038,188	437,655	354,087	58,933	(387,059)	11,606,907
Cost of sales	721,597	563,897	996,783	2,184,938	–	–	–	–	4,467,215
Cost of services	–	–	–	–	260,399	–	–	–	260,399
Shipping and loading costs	383,477	203,786	395,446	384,843	–	32,998	–	–	1,400,550
Excise taxes and royalties	201,684	177,980	247,509	80,764	–	–	–	–	707,937
Marketing	32,974	55,003	–	6,377	–	–	–	–	94,354
Segment operating earnings	₱1,541,472	₱129,367	₱1,454,128	₱1,381,266	₱177,256	₱321,089	₱58,933	(₱387,059)	₱4,676,452
General and administrative	₱72,567	₱36,702	₱109,956	₱71,551	₱–	₱7,686	₱229,119	₱–	₱527,581
Finance income	₱25,456	₱4,852	₱35,363	₱68,351	₱–	₱17	₱101,001	₱–	₱235,040
Finance expenses	₱5,089	₱2,779	₱12,712	₱11,233	₱–	₱55	₱82,668	₱–	₱114,536
Provision for (benefit from) income tax	₱455,332	₱25,053	₱369,150	₱423,813	₱–	(₱8,742)	₱70,092	₱–	₱1,334,698
Net income (loss) attributable to equity holders of the parent	₱1,229,157	₱147,592	₱773,990	₱890,414	₱–	(₱406,821)	(₱427,122)	₱–	₱2,207,210
Segment assets	₱1,564,307	₱986,111	₱5,866,492	₱8,392,525	₱–	₱238,090	₱9,766,795	₱–	₱26,814,320
Deferred income tax assets - net	126,032	76,008	48,663	–	–	10,333	103,861	–	364,897
Total assets	₱1,690,339	₱1,062,119	₱5,915,155	₱8,392,525	₱–	₱248,423	₱9,870,656	₱–	₱27,179,217
Segment liabilities	₱309,247	₱148,735	₱1,840,039	₱642,346	₱–	₱39,319	₱67,376	₱–	₱3,047,062
Deferred income tax liabilities - net	–	–	–	515,767	–	34,684	–	–	550,451
Total liabilities	₱309,247	₱148,735	₱1,840,039	₱1,158,113	₱–	₱74,003	₱67,376	₱–	₱3,597,513
Capital expenditures	₱284,377	₱180,499	₱841,322	₱1,372,525	₱–	₱30,972	₱9,338	₱–	₱2,719,033
Depreciation, amortization and depletion	₱72,606	₱81,841	₱300,579	₱416,531	₱–	₱47,263	₱63,063	₱–	₱981,883

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	**2014**	2013	2012
China	**₱15,564,609**	₱7,376,742	₱7,356,918
Japan	**5,000,487**	1,462,481	2,403,673
Australia	**198,579**	–	–
Local	**3,982,029**	2,270,306	1,846,316
	₱24,745,704	₱11,109,529	₱11,606,907

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

Revenue from two key customers for the sale of ores amounted to ₱11,756.9 million, ₱5,257.2 million and ₱5,128.0 million in 2014, 2013 and 2012, respectively.

BOARD OF DIRECTORS, OFFICERS, SUBSIDIARIES

BOARD OF DIRECTORS

Manuel B. Zamora, Jr. [A]
Chairman

Philip T. Ang
Vice Chairman

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

OFFICERS Nickel Asia Corporation

Manuel B. Zamora, Jr.
Chairman

Philip T. Ang
Vice Chairman

Gerard H. Brimo
President & Chief Executive Officer

Jose B. Anievas [1]
Senior Vice President &
Chief Operating Officer

Raymundo B. Ferrer
Senior Vice President
Security

Emmanuel L. Samson
Senior Vice President &
Chief Financial Officer

Jose S. Saret [2]
Senior Vice President &
Chief Operating Officer

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

Jose Bayani D. Baylon
Vice President
Corporate Communications

Rolando R. Cruz
Vice President
Operations

Jose Roderick F. Fernando [3]
Vice President
Legal and Special Projects
Assistant Corporate Secretary

Koichi Ishihara
Vice President
Marketing & Procurement

Gerardo Ignacio B. Ongkingco [3]
Vice President
Human Resources

Augusto C. Villaluna [3]
Vice President
Operations

Ma. Angela G. Villamor
Vice President
Internal Auditor

Marnelle A. Jalandoon
Assistant Vice President
Management Information
System & Administration

Barbara Anne C. Migallos
Corporate Secretary

Rio Tuba Nickel Mining Corporation

Norberto R. Reyes
Vice President
Finance

Philipp D. Ines
Resident Mine Manager

Taganito Mining Corporation

Michio Iwai
Vice President

Lennie A. Terre
Vice President
Finance & Administration

Aloysius C. Diaz [3]
Resident Mine Manager

Cagdianao Mining Corporation

Patrick S. Garcia
Assistant Vice President
Finance

Desiderio A. Fuerte, Jr. [3]
Resident Mine Manager

Hinatuan Mining Corporation

Fernando P. Cruz [4]
Assistant Vice President
Finance & Administration

Joel G. Laporga
Resident Mine Manager

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

[1] Effective 01 April 2015; replaced Jose S. Saret
[2] Up to March 31, 2015
[3] Effective 02 February 2015
[4] Effective 01 December 2014

CORPORATE DIRECTORY

Address

Head Office
28th Floor NAC Tower
32nd Street, Bonifacio Global City
Taguig City, Philippines 1634
T: +63 2 892 6669 / +63 2 798 7622
F: +63 2 892 5344

Mine Sites

Rio Tuba Mine
Barangay Rio Tuba, Bataraza, Palawan

Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

Corporate Website

http://www.nickelasia.com

Bankers

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

Transfer Agent

Stock Transfer Service, Inc.
34F, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City, Philippines
T: +63 2 403 2410 / +63 2 403 2412
F: +63 2 403 2414

Attorneys

Kapunan, Tamano, Javier
Migallos & Luna
Tan Acut Lopez & Pison

NICKEL ASIA CORP.

28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City,
Philippines 1634

SUSTAINABILITY
REPORT 2014

NICKEL ASIA CORP.

About the Report

(G4.28, G4.30)

This is our second Annual Sustainability Report. The information presented in this report covers the calendar year 2014. It is based on data included in official reports and documentations submitted to government regulatory agencies.

This report was prepared in response to our stakeholders' interest and concern and includes the most significant environmental and social development programs of NAC companies and subsidiaries. It covers our operating mine sites, namely: Rio Tuba Nickel Mining Corporation (RTNMC), Taganito Mining Corporation (TMC), Hinatuan Mining Corporation (HMC) and Cagdianao Mining Corporation (CMC).

In determining the scope and content of this report, we have opted to follow the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. The GRI guidelines encourage companies to report on practices and performance in a manner that is transparent and uses a globally shared framework of indicators.

This year, we have increased focus on materiality aspects, using the G4 framework to identify key indicators of impacts that are of particular interest to our stakeholders. The report meets the requirements of "in accordance with core" level of GRI G4 Guidelines

NAC has also put its reporting process and disclosed information through a process of independent external assurance based on AA 1000 AS – the international standard for assurance from AccountAbility, UK.

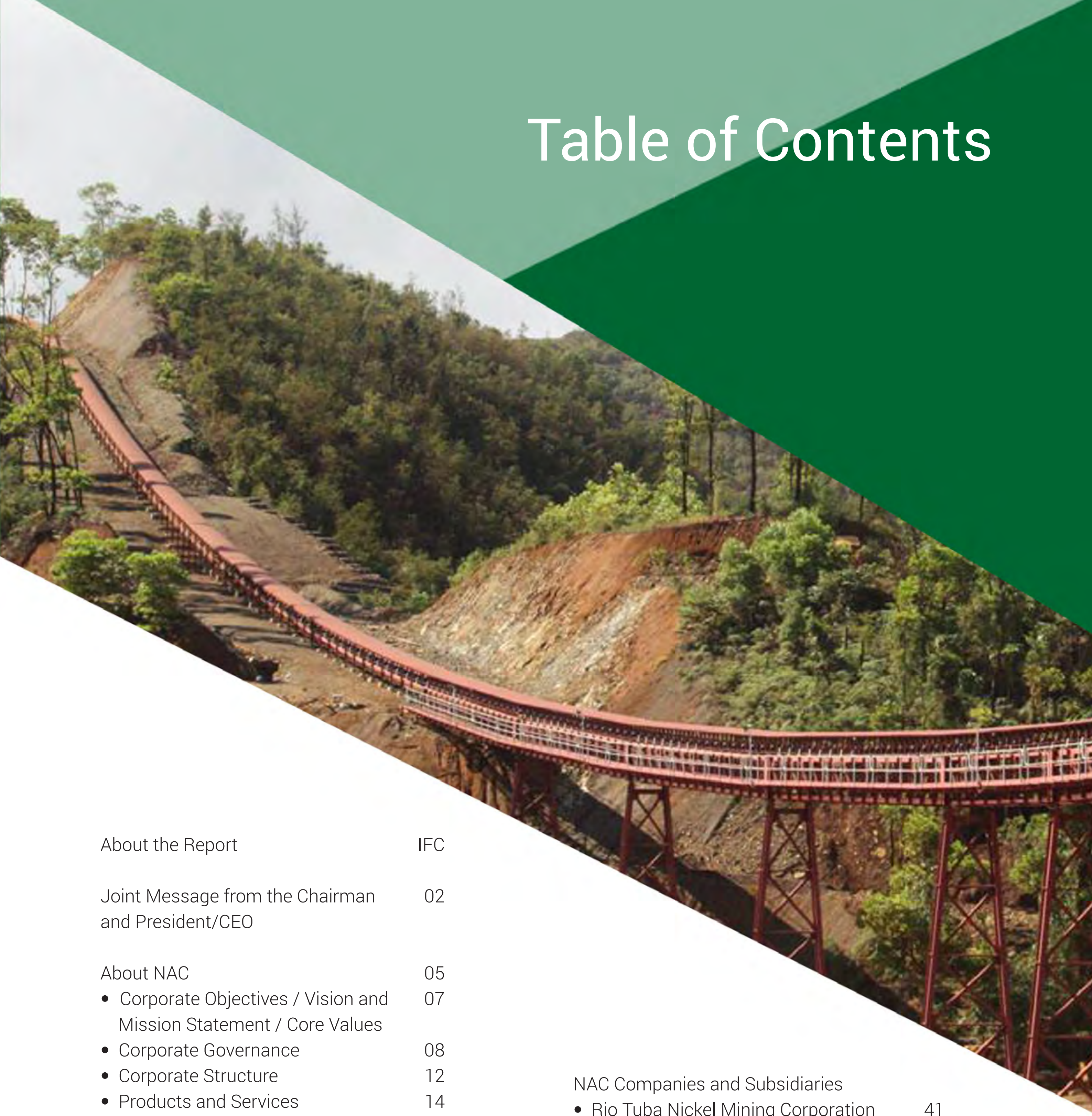


Table of Contents

(G4.1)

Joint Message from the Chairman & President/CEO

The year 2014 was a banner year for Nickel Asia Corporation.

The Philippine Stock Exchange cited us as being the best performing mining stock in 2014, acknowledging how the Company was "able to buck the trend and perform strongly even as miners around the globe are languishing due to falling metal prices."

Total revenues grew by 123% and sales volume increased by 28%. The growth in shipment volumes was largely the result of increased ore deliveries to the HPAL plants, in particular to the Taganito HPAL facility, now on its first full year of commercial operations. The said plant was still in its pre-operating stage last year. The Indonesian ore export ban, meanwhile, has led to significantly higher ore prices in 2014.

Beyond economic performance, though, we are also quite proud of the strides we have made in our sustainability performance for this year.

Corporate Objective

As a group, we spent approximately PhP 550.8M on our Environmental Protection and Enhancement Plan (EPEP). And as of December 31, 2014, we have allotted provision for mine rehabilitation and decommissioning of PhP 130.2 M. We are happy that implementation of best practices in our rehabilitation efforts have proved effective:

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

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

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

Best Practices in Employee Engagement

And we are happy to report that smooth working relationships with our employees have been maintained in all our companies and subsidiaries.

HMC's Collective Bargaining Agreement is being negotiated for the five year period. The respective CBA's of RTNMC and CMC shall be negotiated for the remaining two years while TMC's CBA has been negotiated and agreed upon for the final two years. We believe that our wages and conditions are among the best in the Philippine mining industry. We believe that our relations with employees and their unions are generally good. The last strike at any of our mines occurred in 1981.

In terms of health and safety in the workplace, we take note of RTNMC's Zero Frequency Rate and Severity Rate for 2014, serving as a good working model of how our Health and Safety Programs can effectively protect our people in the workplace.

Conscientious Corporate Citizen

As responsible corporate citizens, we have made increased contributions to nation-building with our taxes. Our excise taxes and royalties were PhP1,754.8 M in 2014, an increase of 171% from last year.

We were happy when TMC was recognized by the Bureau of Internal Revenue for its more than PhP 1 Billion tax payments (increasing by more than 20% for the year) and for its exemplary performance in complying with all the administrative and reporting requirements with the "Billionaires Club Award".

We are also honored to be trusted with the task of helping our communities and helping with the government's rehabilitation efforts for the areas hit by the supertyphoon Yolanda. This year, we have turned over more than 400 houses to the communities and we continue to do infrastructure projects as well as sports development projects with them.

We are also justly proud of the recognition that HMC received from the Technical Education and Skills Development Authority (TESDA) as one of the Regional Awardees of the 2014 Kabalikat Awards (Industry Category) for its "extraordinary efforts to promote and use technical vocational education and training in making an impact on communities and making lives better for the people."

Growing in Sustainability

We give due recognition to all our people who have worked together to bring our company to this level. We have made strides in many aspects, but we are also aware that we are not perfect. We know that our systems can still be improved and that we have so much room to grow.

Stakeholder engagement will be key to our sustainable success.

Through continuous dialogues and consultations, we can constantly improve our systems. We know that our organization can only get stronger by transparent and diligent accounting and analysis of all our programs and policies. And our ability and willingness to learn, adapt new ideas, and make changes as an organization is what makes us a sustainable enterprise.

Together with all our people and the communities we work with, we look forward with enthusiasm and positive energy.

Manuel B. Zamora, Jr.
Chairman

Gerard H. Brimo,
President and CEO

About Nickel Asia Corporation

(G4.3)

Nickel Asia Corporation (NAC) is the Philippines' largest producer of lateritic nickel ore and is one of the largest in the world. We export both saprolite and limonite ore to customers in Japan and China.

Our customers use our ore for the production of ferronickel and nickel pig iron (NPI), both used to produce stainless steel, and for the production of pig iron used for carbon steel.

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

Nickel Asia Corporation (NAC) was incorporated on July 24, 2008 with the Philippine Securities and Exchange Commission and was listed with the Philippine Stock Exchange (PSE) on November 22, 2010 with stock ticker symbol NIKL.PS.

> *NIKL was listed as among PSE's best performing stocks of 2014 as best mining stock, noting how "the country's largest nickel miner has bucked the trend by performing strongly this year, even as miners around the globe are languishing due to falling metal prices. The Indonesian ban on raw ore exports has resulted in higher raw nickel ore prices and a banner year for the company in terms of earnings."*

In 2010, we made an investment of P4.4 billion for a 22.5% equity interest in the country's second hydrometallurgical nickel processing plant under Taganito HPAL Nickel Corporation (THNC). The plant started its commercial operation in October 2013, with a capacity of 30,000 tonnes of contained nickel in the form of nickel-cobalt sulfide. Our Taganito mine supplies all of the limonite ore for the plant. At a total project cost of US$1.7 billion, the plant represents the single largest investment in the Philippine minerals sector.

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

TOTAL REVENUES

Php 24,745.7M
2014

Php 11,109.5M
2013

AGGREGATE NICKEL ORE SOLD

17,873.3 thousand WMT
2014

13,998.4 thousand WMT
2013

REVENUE - SERVICES & OTHERS

Php 693.0M
2014

Php 634.0M
2013

COST & EXPENSES

Php 10,445.8M
2014

Php 7,562.4M
2013

EXCISE TAXES & ROYALTIES

Php 1,754.8M
2014

Php 648.6M
2013

(G4.56)

Corporate Objective

We are focused on growth. At the same time, we take our responsibilities toward safety, environmental protection and community relations and development seriously. We believe that sustainable development is the only way forward for any mining operation and we exert great effort to achieve its principles. We are committed to responsible mining and to running every facet of our operations in a world-class manner.

Vision

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

Mission Statement

Using best global industry practices, we are committed to:

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

Core Values

Competence

Efficiency

Responsibility to all stakeholders

Teamwork

Integrity and honesty

Financial Growth

Dedication

(G4.39, G4.46)

Corporate Governance

The Company adopted its Manual on Corporate Governance on June 16, 2010, which had been subsequently further improved and amended to comply with the Revised Code of Corporate Governance as well as the SEC Memorandum Circular No.9, series of 2014.

The Manual has institutionalized the principles of good corporate governance within the Company and embodies the framework of rules, systems and processes that governs the performance by the Board of Directors (Board) and of Management of their respective duties and responsibilities to the shareholders.NAC has substantially complied with its Manual.

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

Manuel B. Zamora, Jr.
Executive Director, Chairman
• 76 yrs old • Male • Filipino

Gerard H. Brimo
Executive Director, President and Chief Executive Officer
• 63 yrs old • Male • Filipino

Philip T. Ang
Executive Director, Vice-Chairman
• 73 yrs old • Male • Filipino

Luis J. L. Virata
Non-Executive Director
• 60 yrs old • Male • Filipino

Takanori Fujimura
Non-Executive Director
• 70 yrs old • Male • Japanese

Board of Directors

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

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

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

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

Takeshi Kubota
Non-Executive Director
• 59 yrs old • Male • Japanese

Martin Antonio G. Zamora
Executive Director, Senior V.P. for Marketing & Strategic Planning
• 42 yrs old • Male • Filipino

Fulgencio S. Factoran, Jr.
Independent Director
• 71 yrs old • Male • Filipino

Frederick Y. Dy
Independent Director
• 59 yrs old • Male • Filipino

(G4.39, G4.46)

Audit Committee

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

The Audit Committee is comprised of:

Frederick Y. Dy
Audit Committee Chairman

Gerard H. Brimo
Audit Committee Member

Takanori Fujimura
Audit Committee Member

The Board, upon the recommendation of the Audit Committee, appointed Ma. Angela G. Villamor as the company's Internal Auditor.

(G4.40)

Nomination Committee

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

The Nomination Committee is comprised of:

Manuel B. Zamora, Jr.
Nomination Committee Chairman

Takeshi Kubota
Nomination Committee Member

Fulgencio S. Factoran, Jr.
Nomination Committee Member

Remuneration (Compensation) Committee

The Remuneration (Compensation) Committee is responsible for the establishment of a formal and transparent procedure for developing policy on remuneration of Directors and Officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

The Remuneration (Compensation) Committee is comprised of:

Manuel B. Zamora, Jr.
Renumeration Committee Chairman

Gerard H. Brimo
Renumeration Committee Member

Frederick Y. Dy
Renumeration Committee Member

Atty. Barbara Anne C. Migallos
Corporate Secretary

Corporate Secretary

Atty. Barbara Anne C. Migallos is the incumbent and duly qualified Corporate Secretary of the Company. She ensures that all Board procedures, rules and regulations are strictly followed. The Corporate Secretary is a lawyer with years of experience in corporate law practice, including corporate secretarial work. She is also a professorial lecturer in advanced securities regulation.

Compliance Officer

Atty. Jose Roderick F. Fernando, aside from being designated as the Assistant Corporate Secretary of the Company, has likewise been appointed by the Board as the Compliance Officer, to monitor compliance by the Company with the Manual and the rules and regulations of regulatory agencies. He ensures the Company's strict adherence to all laws, regulations, guidelines and specifications.

Corporate Governance Officer

Mr. Emmanuel L. Samson, aside from being designated as the Senior Vice President – Chief Financial Officer, has likewise been appointed by the Board as the Corporate Governance Officer. He is tasked with ensuring that corporate governance policies are disseminated, adopted throughout the organization and become an integral part of the Company's culture. In addition, he also ensures that the necessary systems are in place to monitor compliance.

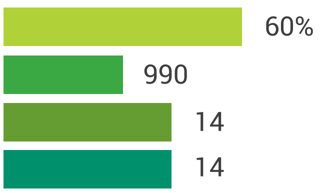
Details on corporate governance can be found in the 2014 Annual Report.

(G4.7)

Corporate Structure

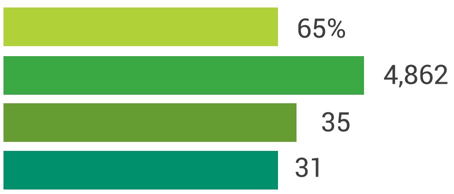
NICKEL MINING AND EXPLORATION

Rio Tuba Nickel Mining Corporation (RTNMC)



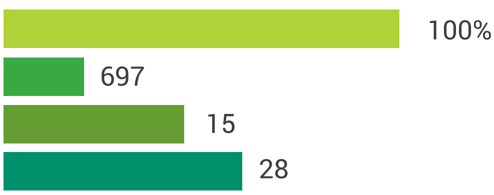
- Incorporated in 1969 to develop nickel ore deposits
- Granted rights over Rio Tuba Property in 1970
- Commenced mining in 1975
- Made first commercial shipment in 1977

Taganito Mining Corporation (TMC)



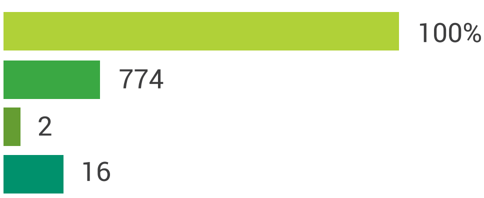
- Incorporated in 1987
- First commercial shipment made in 1989

Cagdianao Mining Corporation (CMC)



- Incorporated in 1997
- Acquired right to operate in 1998
- First commercial shipment made in 2000

Hinatuan Mining Corporation (HMC)



- Incorporated in 1979
- Developed in 1981
- First commercial shipment made in 1982
- Expanded in 1983

Legend:

% of Ownership | Coverage (Hectares) | Mine Life (Years) - Saprolite | Mine Life (Years) - Limonite

DOWNSTREAM PROCESSING

Coral Bay Nickel Corporation

10%

Taganito HPAL Nickel Corporation

22.5%

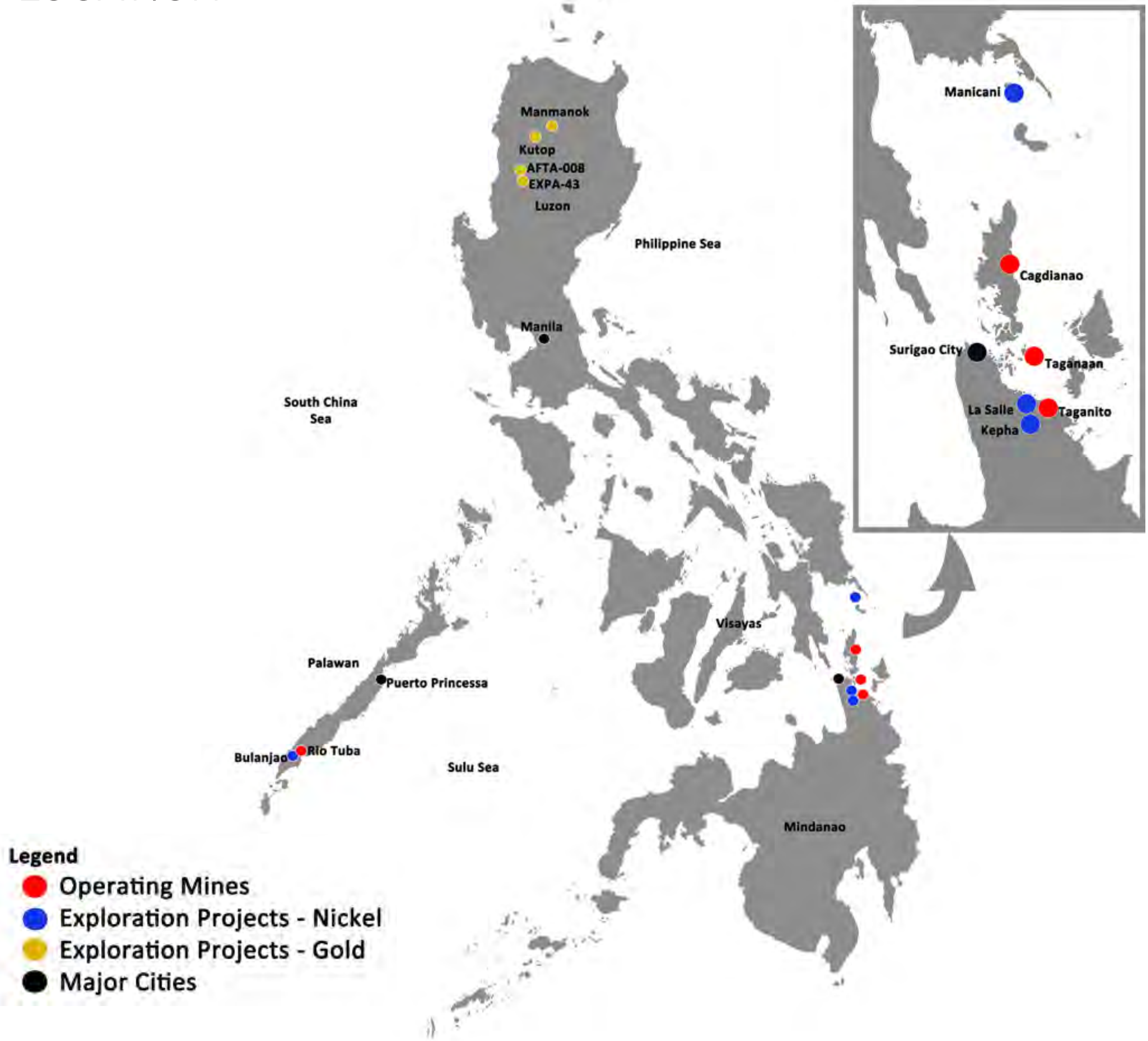
COPPER AND GOLD EXPLORATION

Cordillera Exploration Company, Inc.

71.25%

(G4.6)

LOCATION

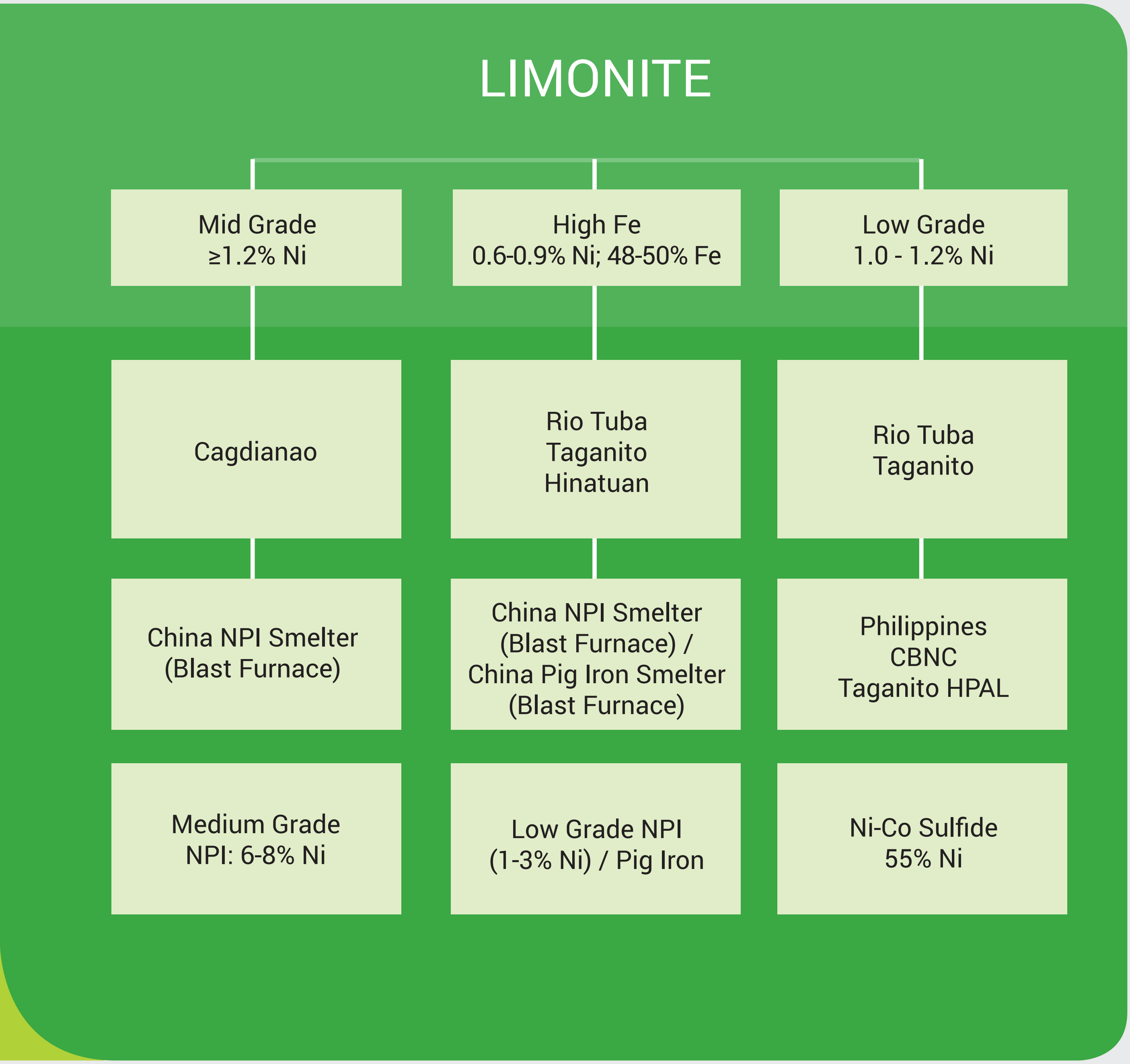


(G4.4, G4.8, G4.PR3)

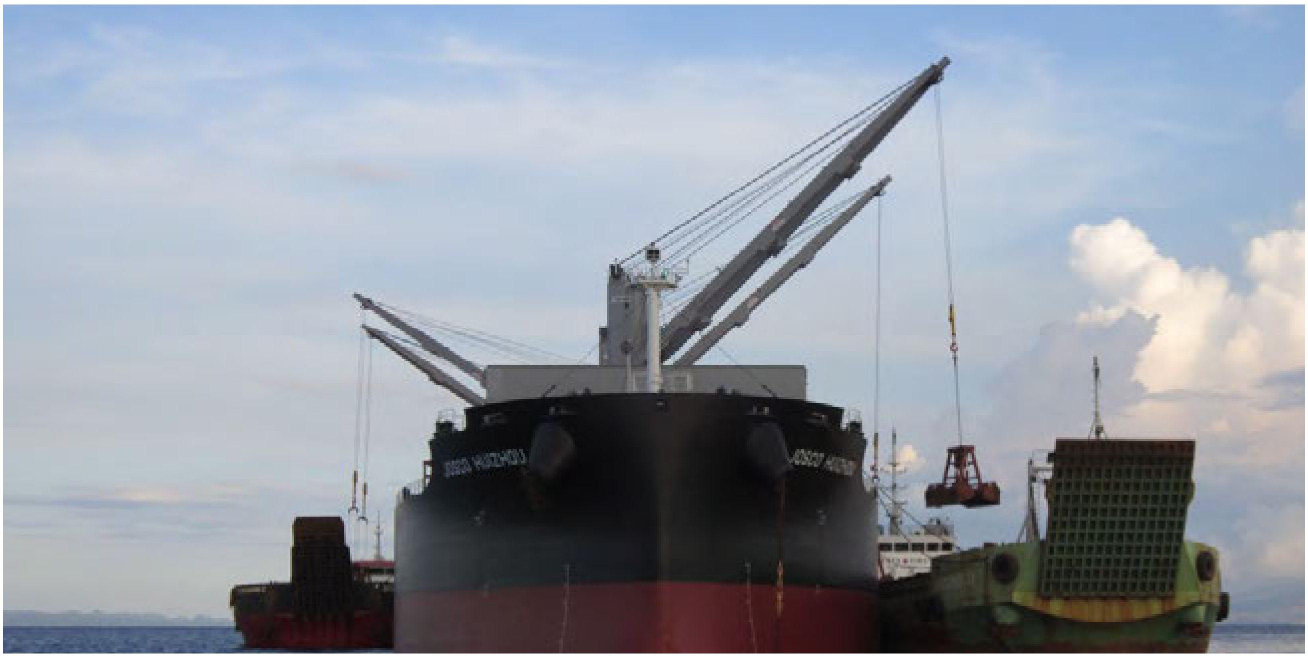
Products and Services

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

	SAPROLITE	
TYPE OF ORE:	Hi Grade ≥1.7% Ni	Mid Grade ≥1.4% Ni
SUPPLIED BY:	Rio Tuba Taganito Cagdianao Hinatuan	Rio Tuba Taganito Cagdianao Hinatuan
SOLD TO:	Japan FeNi Smelter	Japan FeNi Smelter / China NPI Smelter (EF & RKEF)
FINAL PRODUCTS:	Ferronickel	Ferronickel / Hi-Grade NPI: 10-12% Ni



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



We ship out two types of saprolite: high-grade and mid-grade. High-grade saprolite has a nickel content of about 1.7% and above while mid-grade saprolite ore has a nickel content of between 1.4% to 1.6%.

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

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

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

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

	JAPAN			CHINA			PHILIPPINES CBNC & THNC			AUSTRALIA			TOTAL		
YEAR	SAPRO-LITE	LIMO-NITE	TOTAL	SAPRO-LITE	LIMO-NITE	TOTAL	SAPRO-LITE	LIMO-NITE	TOTAL	SAPRO-LITE	LIMO-NITE	TOTAL	SAPRO-LITE	LIMO-NITE	TOTAL
2014	21%	-	21%	41%	24%	65%	-	13%	13%	-	1%	1%	62%	38%	100%
2013	14%	-	14%	17%	55%	72%	-	14%	14%	-	-	-	31%	69%	100%
2012	22%	-	22%	26%	40%	66%	-	12%	12%	-	-	-	48%	52%	100%

How do we mine our product?

All our mine sites use a low-cost open pit mining method. 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.

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

Historically, there was generally no market for our limonite ore, which needs to first be extracted in order to mine the more valuable saprolite ore. There was also no market for lower grades of saprolite ore. Limonite ore was then regarded as overburden and placed in stockpiles, while we undertook selective mining of high-grade saprolite ore, leading to relatively high mining costs.

Since 2005, we have found customers for our limonite ore with the development of the China NPI market and the commissioning of the Coral Bay HPAL facility. In 2008, we have also experienced increasing demand from our customers for our low-grade saprolite ore and in 2010, we saw an emerging demand for the use of low-nickel, high iron limonite ore for blending with iron ore in the production of carbon steel. Our ability to sell limonite ore rather than place it in stockpiles as waste, and our ability to sell lower grades of saprolite ore allows us to mine in a more efficient manner and reduces the unit cost per wet metric tons of nickel ore that we mine, thus improving our profitability. The commencement of commercial operations of the Taganito HPAL facility in 2013 adds an additional outlet for our limonite ore.

(G4.12)

Supply Chain

NAC has good working relationships with reliable third party suppliers for its operational requirements such as diesel fuel, tires and spare parts for mining equipment.

Our diesel, aviation fuel and lubricants are supplied by Petron Corporation. Our supply contract with Petron provides that they will supply the entire actual requirement of the group for diesel and lubricants of highest quality and based on the typical properties agreed in the contract.

Meanwhile, heavy mining equipment, such as trucks and excavators, come from the Philippine distributors of four manufacturers – Volvo, Isuzu, Caterpillar and Komatsu. We also lease LCTs for use at our mine sites during the shipping season.

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

We also require our suppliers to undergo an accreditation process before they engage in business with the Group. The Group's purchases, as a general rule, are made on the basis of competitive bidding of accredited and qualified suppliers. But our business looks beyond lowest price and bottom line, and instead buys the best, safest and most suitable products.

We seek assurances that our suppliers are also firms with an ethically sound CSR policies by ensuring that they have government-approved certifications and permits.

(G4.2, G4.47)

Business Risks

Risk Management helps ensure that our products and services are delivered consistently and reliably for our clients. NAC identifies the risks in our business and industry and prepares appropriate strategies and actions in response.

For one, our operations are prone to terrorist attacks and other insurgent harassment due to the location of mine sites.

NAC ensures the safety of its communities and employees by working with the government and tapping all available resources that may help prevent terror-related incidents. After an attack in one of our mines in 2011, security was increased in all sites. This was done in close coordination with the Armed Forces of the Philippines and tapped the services of the Special Citizen Armed Forces Geographical Unit Active Auxiliary Companies.

Each mining operation also employs a safety team under an accredited safety officer to promulgate safety and security measures and procedures and to ensure that these are followed. Training programs are also conducted regularly to make sure people are prepared at all times.

Secondly, our facilities operate under various operating and environmental permits, licenses and approvals wherein regulatory authorities exercise considerable discretion.

NAC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and laws drawn from a number of different jurisdictions that may change in time.

The MPSAs and operating agreements of 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 and permits to carry on our activities, but we may be required to prepare and present to government authorities additional data in the future to justify renewal.

The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, is lengthy, subject to public input and expensive. There are no guarantees in terms of timing of permit issuance or whether a permit may be issued at all.

Thirdly, our reserves may not be replaced, and failure to identify, acquire and develop additional reserves would be detrimental to growth.

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 five 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.

Other risks to the business that have been identified are:

1. Volatility of LME nickel prices
2. Changes in Chinese demand may negatively impact world nickel demand and prices
3. Exposure to exchange rate fluctuations
4. A prolonged decrease in production by the Coral Bay HPAL facility or the Taganito HPAL facility
5. Increase in domestic and foreign competition in the nickel ore market
6. Climate Change effects, environmental hazards, earthquakes or landslides
7. Industrial accidents, equipment failures, interruption of critical supplies

Exploration and Development

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

- Brownfield exploration - consisting of work at our existing operations to extend resources and to upgrade resources to reserves;
- Greenfield exploration - which involves exploring and delineating nickel lateritic deposits in our existing properties.

We own more than one hundred (100) drilling units that have been designed specifically for drilling near surface lateritic deposits in a quick and economical manner. We also have an experienced pool of geologists and laboratories at each of our mine site to assess samples as required.

Summary of our Exploration Properties:

Kepha

Location: Surigao del Norte
Ownership: TMC

- On June 19, 2009, Kepha was issued a MPSA covering 6,980.75 hectares of mineral land situated in the Municipality of Claver, Province of Surigao del Norte within Parcel I of the Surigao Mineral Reservation.
- The MPSA is for a period of twenty five (25) years and renewable for another twenty five (25) years as may be mutually agreed upon by the parties.
- An Operating Agreement dated February 14, 2007 was executed by and between TMC and Kepha for a term of 25 years from February 14, 2007, whereby TMC shall maintain the mining rights covering the mineral property in good standing for and on behalf of Kepha.

Bulanjao

Location: Palawan Island
Ownership: RTNMC

- On June 17, 2003, RTN filed an application to renew and convert into MPSA existing mining lease contracts.
- The Palawan Council for Sustainable Development has given SEP Clearance in December 2014, subject to certain conditions.
- The application remains pending with the DENR.

La Salle

Location: Surigao del Norte
Ownership: 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
- Rights to the property are governed by an operating agreement entered into with La Salle Mining Exploration Company (La Salle) in December 2006
- Found a nickel lateritic deposit on the southwestern portion of the property and intend to conduct further exploration work on this deposit

Manicani

Location: Island of Manicani
Ownership: HMC

- 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.
- On June 1, 2014, a mutual rescission of the renew process was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014.
- The DENR in July 2014 has approved the disposal of the ore stockpiles, which disposal is expected to start in 2015.

Boa

Location: Province of Dinagat Island
Ownership: CMC

- 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 maybe mutually agreed upon.
- A MOA was executed on October 12, 2004 between Norweah and CMC for a term of ten (10) years from the approval of the MPSA, whereby Norweah granted CMC exclusive rights to explore, develop, exploit and operate the mineral property subject of the MPSA.
- The MPSA covers an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.
- In 2011, an application for the renewal of the exploration period was filed by CMC with the MGB.
- At present, no exploration activities are being conducted, pending the approval of the application for renewal of the exploration period.

Sustainability Approach

As a sustainable enterprise, we recognize our responsibility of creating an acceptable return for shareholders while at the same time understanding, managing and mitigating the impacts of our mining operations on the environment and communities where we operate.

We aim to keep improving our sustainability performance and our earnest commitment to this is duly guided and strengthened by prevailing legislations, commercial requirements, external reporting frameworks and our stakeholders' expectations.

In determining key aspects of sustainability to focus on, we conducted a company-wide workshop wherein all the mine sites' sustainability stewards participated. The workshop was done to identify key priority areas for the year.

We used the GRI G4 framework as a basis to start with the identification of material aspects that reflect our economic, environmental and social impacts and matters that are of key interest to our stakeholders. Assessment guidelines rated the material aspect as being of high, medium or low priority.

During the year, we have started to operationalize the results of the workshop, providing us informed directions on further improving our sustainability performance.

Our approach to sustainability is three-fold:

- Optimizing efficiencies in production and operations to minimize environmental impacts
- Practicing good corporate governance and fair labor practices
- Practicing good corporate citizenship and stakeholder engagement

Environmental Protection

We have a responsibility to protect, reclaim and enhance the environment in which we operate. We encourage wise environmental stewardship and diligently apply proven management controls to achieve this goal.

Through the comprehensive Environmental Protection and Enhancement Program (EPEP) of all our companies and subsidiaries, we are committed to ensuring that environmental impacts are being adequately addressed. The EPEP includes operational controls to ensure compliance with corporate environmental policies and obligations as well as budgetary allocations of appropriate resources and financial provisions.

Good Governance

Our fundamental policies on business practices and ethical standards are enshrined in our Code of Conduct. It mandates that we conduct our business within the strict edicts of our own ethical standards as well as in accordance with all applicable laws, rules and regulations.

We strive to act as a responsible corporate citizen and lend our expertise to help engage in constructive public dialogue and informed debate on issues of importance to us as a company, the mining industry and the communities in which we operate.

Employee Wellness

We are committed to developing the full potential of our employees. We respect and value each of our employees and observe the fundamental tenets of human rights, occupational safety and non-discrimination in the workplace.

We fairly compensate our employees for their contributions, provide meaningful performance feedback for growth and offer professional development and training opportunities.

We encourage accountability and employee involvement in issues affecting the workplace to help improve safety and work conditions, as well as operational efficiency.

As global best practices continue to evolve in this area of employee engagement, we also continue to learn and evolve as an enterprise committed to its people.

Safe Workplace

Our goal is to have every employee go home safe, uninjured and in good health -- after every shift, each and every day.

We believe that there are always a safe and healthy way to do any and every job. We implement a Safety and Health Program in all our companies. We expect all employees and contractors to work in accordance with these safety and occupational health management policies, for the benefit of all our colleagues, families, communities and business.

Our health and safety systems provide the equipment, training and resources necessary to enable employees to perform their work safely and without risk to their health.

Security, we believe, goes hand in hand with safety in the workplace. We believe that effective security controls, standards, policies and procedures contribute to the safety and protection of our employees, assets and reputation, as well as the communities in which we operate.

Working within a regimented regulatory framework, our security policies and systems remain effective as they are founded on the principles of the protection of basic human rights and respect for people.

Above all, we respect the human rights of all individuals impacted by our operations and we do not tolerate any violations of these rights.

Empowering Communities

Our Social Development Management Programs (SDMPs) are made in consultation with stakeholders and in consideration of the important social, cultural, environmental, and economic factors affecting our communities.

We engage with residents, LGUs, government agencies, local NGOs, international agencies and other interested groups to understand concerns, identify needs and design projects that will facilitate long-term and beneficial resource development. We listen and are responsive to our stakeholders, and we provide information that is accurate, appropriate and timely.

We give priority to building partnerships in entrepreneurial endeavors that contribute to enhancing local capacity, and to providing financial support for education and skills development – helping communities become stronger and more able to deliver progress to their own families.

The employment of indigenous peoples and local community members is also a priority. We respect the interests of all members of the communities where we conduct business and we encourage open and constructive dialogue and interaction with them.

Stakeholder Management Plan

Stakeholders	Mode of engagement	Frequency	Concern / Expectations	Response
Local Communities	• SDMP/ CSR / Foundation Programs • Community meetings during the projects	As Necessary/ Required by law	Socio – Economic development of the communities Provide education	Implementation of CSR Programs
NG/LGU / Regulators	• Annual / Quarterly /Monthly Reports • Audits • Taxes / Certification Processes	As Necessary/ Required by law	Inaccurate disclosures Non-compliance to standards	Timely & accurate release of reports Strict compliance to regulatory norms
Employees	• Employee Engagement programs	As Needed	Focus on work life balance	Service Tenure Awards CSR / Environmental voluntary activities
Customers	• Website • Corporate Events	As Necessary	Accessibility & convenience Specific requirement of ore	Better customer services
Suppliers	• Accreditation Process • Annual Meetings	Once a year	Transparency in accreditation Integrity of bids Timeliness of payments	Clear & transparent accreditation criterion Auditable bidding process
Shareholders / Investors	• Annual Stockholders' meeting • General Board Meeting • One on One Investor meeting	Quarterly On Demand	Sustained Financial Returns / Minimum Risks related to business & expansion	Stable Dividends Regular disclosure of financial performance
Media	• Press Release • Personal Interviews • Official Media Statements • Public Advisories • Press Conferences	As Necessary	Product brief / details Transparency Factual Information Timely release of announcements	Availability of spokesperson Media Events Press kits Factsheets Market information
Industry Associations	• Regular Industry meetings	As Scheduled	Sharing of industry standards and best practices	Regular update on the industry outlook and standards

Material Issues

ENVIRONMENTAL	SOCIAL	ECONOMIC
1. Energy Consumption & Management 2. Water consumption and discharge 3. Biodiversity Offsets 4. Land Rehabilitation 5. Mining Solid Waste Management 6. Spill Management 7. Siltation Pond Management 8. Geological risk assessments 9. GHG Emissions 10. Internal Process Management 11. Life Cycle Assessments 12. Dust & Noise Pollution	1. Freedom of Association 2. Recruitment & Employment 3. Employee Relations 4. Strikes and/or lock-outs 5. Education and training on health & safety issues 6. Maintenance and safety of production sites & plants 7. Risks of accidents - Employees, contractors & Subcontractors 8. Accidents, Fatalities, injuries and illneses 9. Community development and negative impact mitigation 10. Information, consultation and participation mechanisms 11. Risks and conflicts with local communities and indigenous people 12. Local Community Involvement 13. Emergency Preparedness 14. Supplier Screening 15. Work life balance 16. Dieseses & Illness	1. Revenue and Payments 2. Local Employment 3. SDMP Impact 4. Business/Market Risk 5. Socio-Economic development of communities

Sustainability Paradigm

ENVIRONMENTAL RESPONSIBILITY

In pursuit of economic development, we do not close our eyes to the impacts on our environment. We recognize that mining is a temporary land use and once mining operations in our sites have ended, we have prepared resources in order to restore these areas to at least as close as possible to their pre-mining condition or to develop alternative productive land uses for the benefit of the surrounding communities.

At the same time, we are also committed to investing in programs and technologies to mitigate the anticipated impacts of mining activities.

We are guided by clear and stringent parameters set forth by Philippine national and local laws accordingly implemented by national, regional and local agencies, namely: the Department of Environment and Natural Resources (DENR), the Mines and Geosciences Bureau (MGB), the Environment Management Bureau (EMB), the Protected Areas and Wildlife Bureau (PAWB), and the local government units (LGUs).

All NAC companies and subsidiaries abide by commitments stipulated in their Environmental Compliance Certificate (ECC) and specified in their approved Contractor's Plan of Mining Operation.

All NAC companies and subsidiaries have demonstrated compliance and adherence to all the rules and requirements, including the following:

Republic Act No. 7942
(Philippine Mining Act of 1995)

- Section 69 – requires an annual Environmental Protection and Enhancement Plan for the rehabilitation, regeneration, revegetation, and reforestation of mineralilzed areas, slope stabilization of mined-out areas, aquaculture, watershed development and water conservation, and socioeconomic development
- Section 71 - requires Mine Rehabilitation for mined-out areas to the condition of environmental safety, and the creation of a Mine Rehabilitation Fund

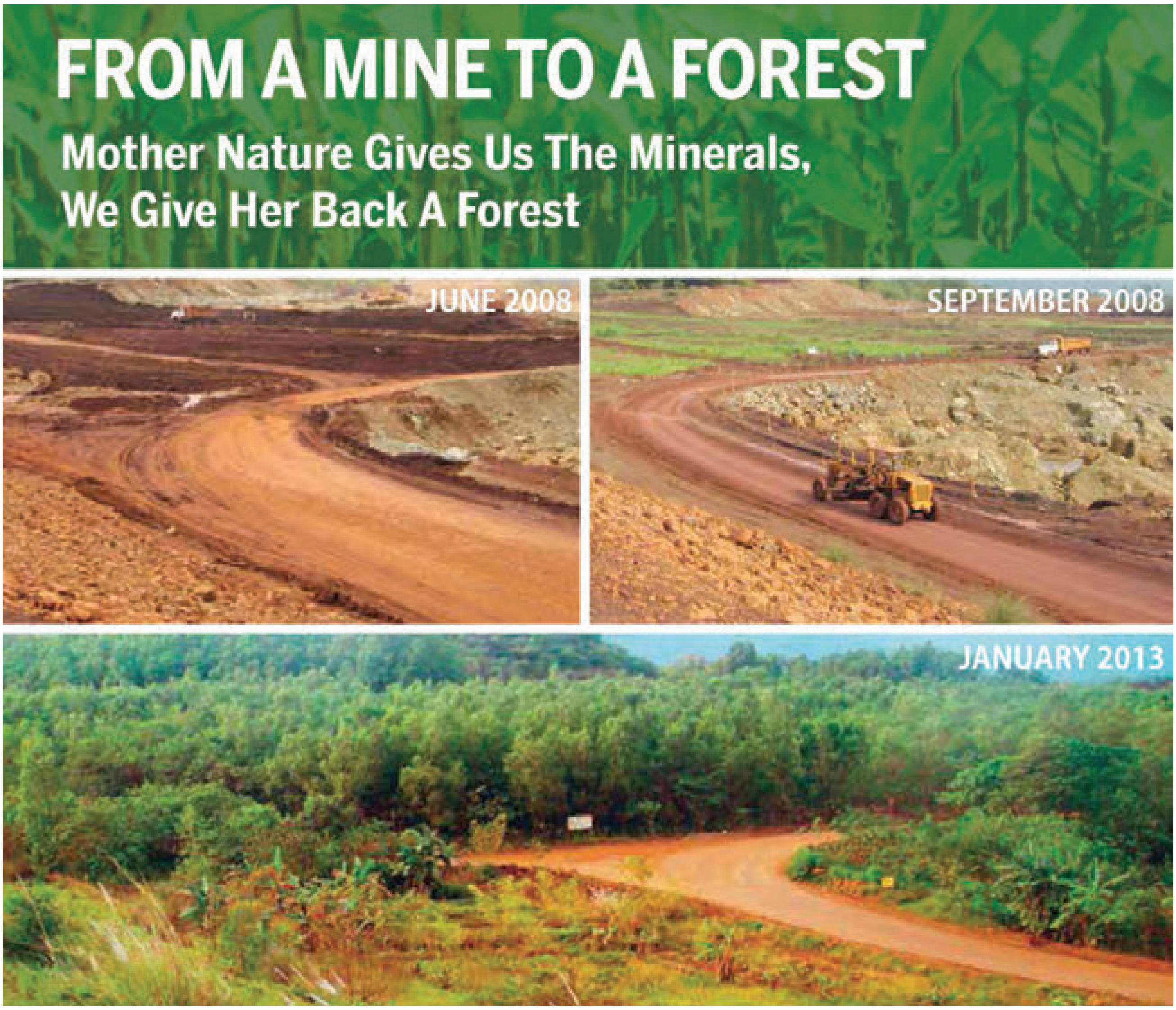
CDAO 2010-21 (Consolidated DENR Administrative Order for IRR of RA No. 7942)

- Section 171 – requires an Annual Environmental Protection and Enhancement Program (based on the approved EPEP)
- Section 173 – requires the organization of a Mine Environmental Protection and Enhancement Office (MEPEO) to be incorporated into the organization structure
- Section 185 – deputizes the Multipartite Monitoring Team (MMT) to serve as monitoring arm, with the team composed of representatives from DENR Regional Office, Department Regional Office, EMB Regional Office, Contractor/Permit Holder, affected community (ies), affected Indigenous Cultural Community (ies), and environmental NGO
- Section 187 – requires a Final Mine Rehabilitation/Decommissioning Plan, including financial requirements up to post-decommissioning

Executive Order No. 26
(National Greening Program)
– Mandatory reforestation activities outside of mining contract/permit/lease/tenement areas

Republic Act 9003
(Ecological Solid Waste Management Program)
– Requires waste segregation, promotes recycling and sets guidelines for Materials Recovery Facility

Republic Act No. 6969 and
DENR Administrative Order 2013-22
– Guidelines on proper handling and monitoring of toxic and hazardous waste materials



How do we rehabilitate mined-out sites?

NAC regularly conducts onsite environmental assessment to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within the standards set by regulatory agencies.

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

The wisdom in this method is that by creating a biodiversity area with varied species of vegetation, including native fruit bearing trees, the reforested area will eventually be a source of food for a variety of wildlife species. In turn, this restarts the cycle of regeneration.

The rehabilitation effort is managed by our expert foresters with the help from indigenous peoples from the locality, and we have demonstrated that a totally mined out area can be significantly re-vegetated in just 12-18 months. The end result is a sustainably managed forest potentially better than the stunted vegetation with mineralized soil.

Also, each mine site has created its decommissioning/ closure plan, which are up for approval by government regulators. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by regulators are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which specify livelihood components for the host communities and the affected employees of our companies.

(G4.27)

In line with this regulatory framework, NAC companies and subsidiaries implement environmental management measures based on best practices in mining industry:

	IMPACTS	ENVIRONMENTAL MANAGEMENT MEASURES
	1. Loss of Top soil	• Minimization of extensive ground works • Utilization of topsoil to rehabilitate open & burdened areas
	2. Soil Erosion	• Keeping stockpiles with moderate slope to minimize erosion • Use of engineering structures and vegetative means to stabilize slopes of stockpiles • Revegetation of disturbed areas • Installation of sediment traps • Installation of erosion plots
	3. Soil degradation	• Close monitoring of ground works only to the specified locations • Proper installation of water drainage structure • Proper scheduling of hauling activities to minimize soil compaction on unpaved roads
	4. Change in landform	• Maintenance of vegetation cover in the designated buffer zones and in the peripheries of roads & mine pits • Rehabilitation of mined-out areas
	5. Contamination of soil and water resources with oil, grease and heavy metals	• Proper fuel and lube material handling and maitenance of vehicles and heavy equipment
	6. Generation of solid waste	• Implementation of Solid Waste Management Program
	7. Increase in surface run-off and flash floods	• Proper design and construction of roads and drainage canals and sediment control • Regular monitoring of drainage facilities especially during rainy season • Regular desilting of silt ponds • Maintenance and operation of drainage canals and sediment control structures
	8. Loss of flora and fauna	• Inventory of flora and fauna species • Rehabilitation of mined-out areas • Conduct of rehabilitation programs • Retaining a protection forrest and establishment of buffer zone
	9. Wildlife species displacement	• Maintenace of vegetation in the peripheries of the mining areas
	10. Increase in concentration of air pollutants	• Proper maintenace of motor vehicles and heavy equipment
	11. Dust generation	• Regular water sprinkling along exposed areas especially during dry seasons • Limiting the speed of vehicles • Covering haulage trucks with tarpaulin or canvas

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

All NAC companies and subsidiaries also comply with monitoring and reporting guidelines specified by the MGB and the EMB. All companies submit monthly, quarterly and annual updates on EPEP progress, energy consumption, hazardous waste management, air and water quality self-monitoring results. Activities undertaken through our Annual Environmental Protection and Enhancement Program (AEPEP) include, among others:

1. Rehabilitation of mine disturbed areas
2. Reforestation
3. Construction and/or maintenance of environmental facilities
4. Solid waste management
5. Hazardous waste management
6. Air quality monitoring and water quality monitoring
7. Preservation of downstream water quality

NAC considers its environmental responsibilities as vital corporate commitments and fully cooperates with the Philippine government's objectives of ensuring that the principles of Sustainable Development and Responsible Mining ultimately work for the future of the Filipino people.

Total EPEP Expenditure

Php 550.8M
2014

Php 471.0M
2013

Total Area Rehabilitated

197.31
hectares
2014

Mine Rehabilitation & Decommissioning Fund

Php 130.2M
2014

Php 130.9M
2013

Total Trees Planted

406,610
2014

Total Seedlings Donated

74,580
2014

Reforestation under National Greening Program

149.04
hectares
2014

SOCIAL RESPONSIBILITY

NAC endeavors to be a valuable partner for economic and social progress. As a corporate citizen, we recognize the great privilege of sharing the opportunities and the responsibilities afforded by doing business in the Philippines. The principles of sustainable development clearly identify for us our obligation to make every effort and ensure that the benefits of development reach every stakeholder.

In this, we are guided by the judicious policies proclaimed in Philippine national and local laws accordingly implemented by national, regional and local agencies, namely: the DENR-Mines and Geosciences Bureau (MGB), the Department of Labor and Employment (DOLE), the Department of Health (DOH), the National Commission on Indigenous Peoples (NCIP), and the local government units (LGUs).

The revised Philippine Mining Act specifies the requirement for a Social Development Management Program (SDMP) to be prepared in consultation with host and neighboring communities. The SDMP includes development projects for the host and neighboring communities and mine camp, such as construction and maintenance of social infrastructures like roads and bridges, school buildings, churches, recreational facilities, housing facilities, water and power supplies. The SDMP shall also include plans for the development of mining technology and geosciences, particularly those related to improved efficiencies and environmental protection and rehabilitation.

The Mining Act also fully recognizes the rights of the Indigenous Peoples (IPs) and Indigenous Cultural Communities (ICCs) and, as is consistent with the Indigenous Peoples Rights Act (IPRA), prescribes a royalty payment for their socio-economic well-being.

The Mining Act also compels strict compliance to the Mine Safety and Health Standards specified by DENR Administrative Order No. 2000-98. It requires that a Health and Safety Program be submitted every year.

HEAD OFFICE

	NAC	RTNMC	TMC	HMC	CMC	TOTAL
Senior Management	13	1	2	1	1	18
Managers	8	2	2	1	1	14
Supervisors	12	6	5	4	3	30
Rank & File	14	7	7	8	6	42
TOTAL	**47**	**16**	**16**	**14**	**11**	**104**

MINESITE

	RTNMC	TMC	HMC	CMC	TOTAL
Senior Management	1	1	1	1	4
Managers	25	26	14	3	68
Supervisors	114	116	53	36	319
Rank & File	524	226	93	132	975
TOTAL	**664**	**369**	**161**	**172**	**1,366**

(G4.EC6)

LOCAL EMPLOYMENT					
MINESITE	RTNMC	TMC	HMC	CMC	TOTAL
Regular	545	1	45	1	592
Probationary	9	26	6	3	44
Seasonal Contractual	4	116	527	36	683
TOTAL	**558**	**143**	**578**	**40**	**1,319**

Meanwhile, Presidential Decree No. 442 known as the Labor Code of the Philippines clearly sets guidelines on workers' rights, wages and benefits. In NAC companies, labor conditions -- including wages and benefits – are governed by Collective Bargaining Agreements (CBA) negotiated at the mine level. Rank and file employees in each mine site are represented by their respective labor unions.

Aside from covering the basics, the DOLE also sets specific programs on Occupational Safety and Health and has made it mandatory to include Basic Occupational Safety and Health (BOSH) in mining companies' the training programs. NAC also supports the agency's program on stomping out the practice of Child Labor in the country.

All these, along with all the monitoring and reporting requirements, are dutifully followed and complied with by the company. Annually, the Group sets aside a budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the programs are monitored, audited and evaluated by the MGB.

Beyond these mandatory programs, though, the company also carries out its own Corporate Social Responsibility (CSR) programs that receive full support from top management. NAC sees its CSR as partnership building initiatives that demonstrate how the company and its neighbor communities can work together towards sustainable progress.

Major investments under CSR for this year include the Yolanda Rehabilitation Projects for Manicani, Guiuan in Eastern Samar and the regular Medical-Dental Missions that the company initiates together with all the subsidiaries.

For Manicani, Guiuan, NAC built 429 units of 30m^2 houses, and is completing a Manicani Multipurpose Hall, four barangay basketball courts, 10 barangay halls for the town of Guiuan. Not all the households accepted the offer as 43 families refused the offer as expression of their opposition to mining, which the company respects.

The Company also launched local government unit (LGU)-based basketball leagues in its host provinces: the Palawan Basketball Association (PaBA) on Palawan island, and the Surigao del Norte Basketball Association (SNBA) for Surigao del Norte. There was a two-fold objective to the league: first, to identify local talent who could possibly move on to the country's professional basketball league and, second, to expand the reach of the benefits of the corporate social responsibility programs of the Company's subsidiaries. In connection with the latter, while the teams would win cash prizes, the LGU represented by the winning team in both leagues would win a two-classroom school building worth Php 1M, while the runner-up would be entitled to a Php 500k classroom. The schools were to be built where the LGU felt they were most needed.

The way the prizes were structured also created a sense among the participants that they were playing for something greater than just themselves as a team since their town mates became even more passionate in cheering for them at every game.

In the Palawan league, the teams representing the City of Puerto Princesa in the junior and senior divisions emerged champions, earning for their city two- 2 classroom school buidings. Narra and Bataraza towns were runners-up, earning a classroom each. On the other hand, Surigao City topped its single-division tournament winning the 2-classroom school, while Claver placed runner-up.

Not surprisingly, mayors of the different LGUs in both Surigao and Palawan have been requesting to be informed ahead of time so that they could properly prepare for future leagues. They want to see their players win cash prizes for themselves, and school building for their LGUs.

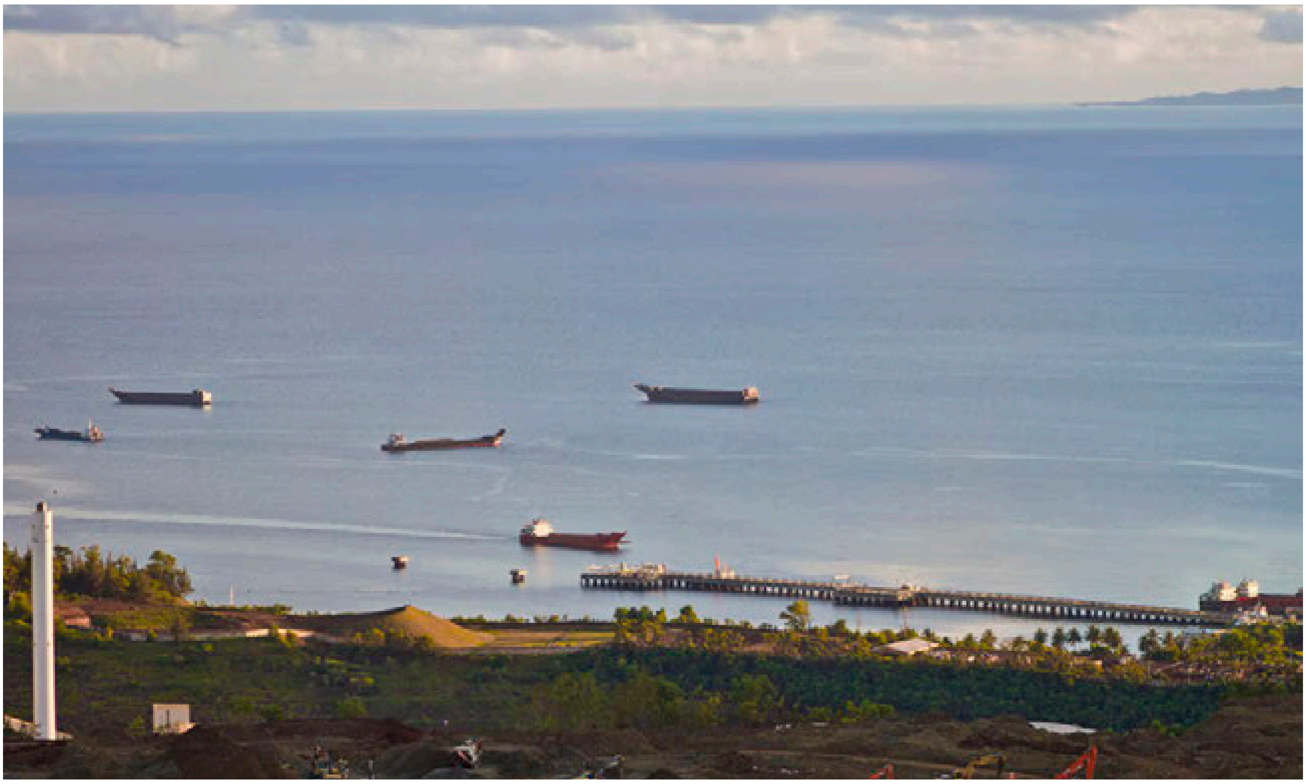
ECONOMIC PERFORMANCE

It is our responsibility to all our shareholders, employees and customers to manage our business in a way that is sustainable such that the business remains economically viable even in the future.

Economic performance for 2014 showed marked increase from 2013:

	2014 (in million PhP)	2013 (in million PhP)
Total Revenue Generated	24,745.7	11,109.5
Cost & Expense	10,445.7	7,562.4
Consolidated Net Income	11,008.1	2,586.4
Net of non-controlling interests	8,551.6	2,053.7
Total Assets	35,183.9 M	28,913.5 M
Current Assets	20,611.5 M	14,601.0 M
Non-Current Assets	14,572.4 M	14,312.5 M
Total Current Liabilities	2,114.6 M	1,309.0 M
Total Non-Current Liabilities	2,167.0 M	2,392.8 M
Equity Net of Non-Controlling Interests	27,185.6 M	20,490.1 M
Cash Operating Cost per Volume Sold	518.10 per WMT	426.82 per WMT

ORE	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	%Fe
Ore Reserves					
Saprolite	Proved and Probable	115,400	77,974	1.50	11.43
Limonite	Proved and Probable	230,457	155,420	1.10	42.24
Mineral Resources					
Saprolite	Measured & Indicated	125,704	83,706	1.58	11.30
Limonite	Measured & Indicated	240,392	161,746	1.10	42.75
Saprolite	Inferred	29,552	19,007	1.44	11.96
Limonite	Inferred	10,623	7,266	1.19	38.49



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

Pursue our brownfield and greenfield exploration programs to upgrade our existing resources, and develop new reserves and resources – We have an extensive exploration program involving bothbrownfield 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 delineatingnickel lateritic deposits in our existing exploration properties.

Acquire new properties or enter into operating agreements or joint ventures - We believe that there is significant exploration potential in the Philippines for lateritic nickel deposits and we intend to seek opportunities to increase our reserves of saprolite and limonite ore. Most prospective areas in the country are already subject to registered mineral claims, so we intend to access new exploration properties by acquiring rights from, or entering into joint ventures with, the applicable claim owners.

Diversify to gold and copper - We believe that the exploration potential remains significant. In order to take advantage of this potential, we entered into an agreement to purchase CEXCI from a subsidiary of Anglo American plc. CEXCI has four groups of mineral claim in northern Luzon that are prospective for gold and copper mineralization. We believe that our extensive local knowledge, the experience of a number of our managers and technical staff in these metals and the quality of these properties make this acquisition an important step in our strategy to evolve into a diversified mining group.

Diversify to the power business - We believe that the entry into the power business through Emerging Power, Inc., which will concentrate exclusively on renewable energy sources, will provide significant opportunities to grow our revenues and sustain financial returns. At the same time, this activity will help alleviate the shortage of power in the country and contribute to economic growth in an environmentally friendly manner.

(G4.9, G4EC1)

Group Performance

ENVIRONMENTAL RESPONSIBILITY	RTNMC	TMC	HMC	CMC
1. Total spending for EPEP (Php)	114,370,000	345,100,000	76,860,000	14,480,000
2. Rehabilitation efforts				
i. Total Area Rehabilitated (hectares)	6.44	52.05	6.2	No declared mined out area
ii. Number of seedlings planted in rehabilitated area	19,709	113,234	46,393	
3. Reforestation efforts				
i. Number of hectares reforested within MPSA area	99.3	117.82	32.68	95.59
ii. Number of seedlings planted within MPSA area	54,475	202,019	102,222	5,656
4. Pollution control				
i. Energy Consumption (kWh)	2,561,860	1,188,869	376,335	693,674
ii. Total Fuel Consumption – Gensets (ltrs)	13,652,269	16,099,014	6,132,760	2,168,292
iii. Total GHG Emissions (t CO2)	36,572	44,017	16,469	—
5. Waste management				
i. Volume of Solid Waste disposed	15,021 cu. m	17,221 kgs	18,000 kg	360 cu. m
ii. Value of recovered materials in Pesos		112,876	1,894,700	80,808
iii. Volume of used oil (ltrs)	88,444	70,800	56,000	25,200
6. Watershed management				
i. Volume of silt collected (cu.m)	70,310	593,547 WMT	108,740	38,384
ii. Volume of water consumption (cu.m)	2,845,090	193,446	29,918	88,660
iii. Volume of water discharge (cu.m)	1,798,728	—	37,880	—
7. Land use (hectares)				
i. Disturbed	404.39	1,368	272.5	573.15
ii. Rehabilitated	91.96	76.46	72.8	None
8. Programs / projects on biodiversity conservation - Program Name and area of coverage	Perpetual Forest Project (4.5 ha.)	Mangrove rehabilitation project (5 ha.)	Coastal Resource Management Program (5.5 ha.)	Adopt a Mountain, Adopt a Forest Program (5 ha.)

ECONOMIC RESPONSIBILITY	RTNMC	TMC	HMC	CMC
1. Shareholding Percentage	60%	65%	100%	100%
2. Financial Highlights (in million Php)				
i. Direct Revenue Generated	7,189	8,907	5,123	3,595
ii. Cost & Expenses	3,081	3,524	2,478	1,507
iii. Total Assets	3,599	8,349	2,329	1,792
iv. Taxes, licenses and fees paid	1,983	2,649	1,306	983
v. Employee Compensation & Benefits	411	492	144	116
3. Amount of Ore sold (in thousand WMT)	5972.4	7,087.7	3,462.9	1,350.3

(G4.11, G4.10)

SOCIAL RESPONSIBILITY	RTNMC	TMC	HMC	CMC
1. Employees				
i. Number of regular employees	664	412	161	174
ii. Number of people indirectly employed (through contractors)	1,236	1,810	1,263	868
iii. Number of employees from local communities	558	1,429	578	133
iv. Percentage of employees under CBA	77%	55%	48%	48%
v. Average training hours / employee	43.7	8	44	79
2. Health & Safety				
i. Number of Employees in Health & Safety Committee	15	106	30	22
ii. Total manhours	8,014,788	7,058,295	4,384,404	1,803,871.58
iii. Incidence Rate	0.14	22.53	2.51	34.92
iv. Total Lost days	0	6,030	68	0
3. Communities				
i. Total spend on SDMP (in Million Php)	27.24	32.36	22.7	11.2
ii. Population of neighboring communities	63,000	8,518	15,000	15,047
iii. Number of IP communities residing near the minesite	27	120 household	None	None
4. Social Development Focus Area (SDMP+CSR)				
Education				
• Number of Scholars	90	218	1191	18 college 997 elementary and highschool
Health				
• Number of patients/cases treated in hospital	39,535	—	2,889	—
• Number of patients benefitted from Medical Mission	2,650	2,496	3,600	1,620 SDMP 18 CSR
• Assistance to Calamity victims	—	Php1,071,939	100 patients	250 patients
• Admitted/Confined Patients	2,668			
• Admitted/Confined Cases	3,344			
Infrastructure				
• Number of kilometers of roads constructed and amount	14	—	NA	—
• Value of other infrastructure projects: Provision of various Basic Emergency Rescue Equipment for the three host communities (in Php)	3,000,000	6,856,423	1,350,703	—
Livelihood				
• Type of business/enterprise, number of POs or peoples benefitted (members)	—	18	440	494

NAC Companies & Subsidiaries

Rio Tuba Nickel Mining Corporation

NAC Ownership 60%
First Commercial Shipment in 1977
Mineral Production Sharing Agreement up to year 2023
Total area covered 990 hectares

Rio Tuba Nickel Mining Corporation (RTNMC) operates a 990-ha minesite in the Municipality of Bataraza, Province of Palawan in the MIMAROPA Region (Region IV-B), Philippines. However, under the Special Environment Plan for Palawan Act (Republic Act No. 7611), a 144-ha area is classified as "core zone" and is strictly protected and maintained free of human disruption thereby prohibiting any operations within it.

RTNMC also holds an MPSA for an 84.5364-ha area at Sitio Gotok, for limestone quarrying. The limestone is sold to Coral Bay Nickel Corporation (CBNC) and used at the Coral Bay HPAL facility. RTNMC also supplies limonite ore to CBNC.

RTNMC's host communities -- Brgy.Rio Tuba and Brgy.Iwahig – are among the 22 barangays that comprise this municipality at the southernmost tip of the main Palawan Island. Population data shows that the largest province of the country is home to more than 771,000 people, with over 63,000 of them residing at Bataraza.

Palawan is also renowned as home of several indigenous ethnolinguistic tribes and is sometimes referred to as "the cradle of Philippine civilization" because of the great anthropological find at the Tabon Caves in Lipuun Point. RTNMC has identified 27 indigenous clusters who are residing around the mine area, 11 of whom are part of the impact community.

Aside from mining, the other major economic activities important to the province are eco-tourism, agriculture, logging, oil drilling and exploration, and fishing. Palawan is a significant source of fish supply for the country. Tourism is also growing in importance not only because of world-class resorts but also because the Puerto Princesa Subterranean River National Park was declared one of the New 7 Wonders of the World.

TOTAL REVENUES

Php 7,188.7M
2014

Php 3,535.2M
2013

NICKEL ORE SOLD

5,972.4 thousand WMT
2014

5,774.4 thousand WMT
2013

(G4.EN31)

ENVIRONMENTAL PROTECTION

For 2014, RTNMC's annual Environmental Protection and Enhancement Program (EPEP) expenditure was Php 114.7M.

The company implements its environmental programs through the Mine Environmental Protection and Enhancement Office (MEPEO) which is divided into: Mine Rehabilitation and Reforestation Unit (MRRU) and Pollution Control Office (PCO). Each unit has its defined focus:

MEPEO UNIT	Environmental Impact	Mitigations / Initiatives
Mine Rehabiliation and Reforestation Unit (MRRU	Deforestation / Excavation	• Surface preparation and rehabilitation of mined-out areas • Cloning, planting of endemic tree species • Provision of seedling nursery • Conversion of mine pits into "palay-isdaan" areas • Reforestation of non-mineralized areas • Commitment to National Greening Program
Pollution Control Office	Siltation	Desilting of settling ponds and monitoring of SCSs
	Dust	Watering haul roads regularly; putting up wind breakers
	Soil Erosion	Construction of drainage systems; slope re-vegetation
	Hazardous Wastes	Maintenance of Hazardous Waste Storage Building
	Oil and grease contamination of water bodies	Construction of oil-water separators
	Noise	Monthly noise level monitoring
	Air and water contamination	Monthly air and water sampling and monitoring

RTNMC's Programs and Progress relating to Environmental protection

Program of Actions	Progress	Responsible Department / Person
1. Survey / Exploration	Daily	Mine Engineering
2. Operation – Quarrying/Mining, Hauling, Retrieving, Beneficiation, Crushing	Daily	Mine Operations
3. Ore Feed	Daily	Mine Operations
4. Ore Classifications / Air and Water Quality Tests	Daily / Monthly	ASSAY
5. Mine Rehabilitation / Reforestation (Mined-out Areas)	On-going	MRRU
6. Environmental Protection / Pollution Control / Waste Disposal Management	On-going	PCO
7. Occupational Safety and Health Hazards	Daily	Safety
8. Waste Disposal (Used Oil and Oil Filters / Used Battery / Busted Fluorescent Lamps and PCBs)	Monthly/ Quarterly/Annual	Recyclers / Waste Managers

TOTAL EPEP EXPENDITURE

Php 114.4M
2014

Php 96.6M
2013

(G4.EN11, G4.EN12, G4.EN13)

Land Protection

This year, the company rehabilitated another 6.44 ha (using 19,709 seedlings), bringing the total rehabilitated area to 91.96 ha.

In addition, its Mining Forest Plantation program for non-mineralized areas reforested another 99.3 ha. during the year. This reforestation program extends outside the company's MPSA and as of to date totaled about 1,367.66 ha with around 1,394,206 seeedlings/trees planted. Average survival rate of the planted trees is at 75% - 89%.

Aside from this, the company assists in a Perpetual Forest Project, with a 5 ha project site at the vicinity of Airport Road and Bataraza National Highway. It also maintains a 1.6-ha Botanical and Herbal Garden Project .

RTNMC's nursery/seedling bank project propagates more than 31 plant/tree species and grasses that are used in the various reforestation programs. Year-end inventory of the nursery is at 200,000 seedlings propagated.

Additional planting materials for reforestation are also sourced from the Clonal Laboratory Facility maintained by MRRU at its field office.

Total Area Rehabilitated

6.44
hectares
2014

Total Seedlings Planted

19,709
2014
(80% survival rate)

Air Protection

The Pollution Control Office (PCO) implemented a host of programs to mitigate dust emissions and noise pollution brought about by mining activities.

It implements various dust suppression strategies, namely: water spraying on haul roads, concreting of main haul roads, maintaining a water sprinkler system, installation of tire wash, silt scraping, installation of wind breakers and dust collector boxes.

The proper maintenance of motor vehicles and equipment is also seen as important, not only for fuel efficiency, but also for minimizing emissions.

A speed limit was also created and is strictly being implemented within the mining areas and hauling road to reduce dust emissions, as well as noise pollution. Reducing the noise pollution will decrease disturbances to the wildlife and people working in the area.

Another concern of the RTNMC is soil erosion and siltation. To control this, RTNMC conducts slope stabilization activities, which include: engineered slope, proper drainage, boulder toe dressing and slope revegetation. Siltation is also managed using silt collector sumps placed strategically around the mine areas.

PCO regularly monitors hazardous waste, water quality, air quality and noise levels and reports the results to the DENR every quarter.

Water Bodies Protection

Coral Bay covers an area of 7,000 ha. and a coastline of 5 km. southeast of Bataraza. It is situated biophysically within the Bgys. of Rio Tuba and Ocayan and bounded by the Rio Tuba and Ocayan Rivers. The biodiversity value in the area are presumed to be high due to the lush mangroves along the banks. Currently, plans are under way to make the bay a marine protected area.

IDENTITY	Size / Area Covered (ha)	Protected Status	Biodiversity/ Aesthetic Value
Rio Tuba River	Undetermined	None	High
Ocayan River	2,000	-do-	-do-
Coral Bay	7,000	-do-	-do-

(G4.EN8, G4.EN9, G4.EN22, G4.EN26)

Water Protection

The bodies of water directly affected by the consequent discharges and runoffs are the Rio Tuba and Ocayan Rivers, which drain to the nearby Coral Bay. Coral Bay covers an area of 7,000 ha and a coastline of 5 km southeast of Bataraza. Lush mangroves along its banks contain high biodiversity value and there are plans to make the bay a marine protected area.

The company has constructed siltation ponds to protect Rio Tuba and Ocayan Rivers. Strategically located drainage systems, silt collector sumps and siltation ponds arrest run-off from mine pits and allow clean water to be separated from the silt-laden run-off which are collected in settling ponds. Once suspended particles settle in the pond, clean water is discharged into the environment. De-silting is done daily, as well as maintenance and upgrading of drainage systems and silt ponds.

SOURCE OF EFFLUENT/ DISCHARGE	Volume (m3)		Receiving Water Body
	Daily Average	Total Discharge	
Lower Kinurong Siltation Pond	2,137.5	776,805	Rio Tuba River
Lower Togpon Siltation Pond	2,762.25	1,009,423	
TOTAL	---	1,786,228	

Not only is water an essential resource for operations, it is also necessary for domestic use in the RTNMC Townsite and surrounding communities. Potable water is also sourced from Umawi stream, which also helps the company supply free water to neighboring sitios. On the other hand, water from silt ponds is used for road watering for dust suppression.

Water Consumption

1,597,318 cu. m
Municipal Water

1,247,772 cu. m
Extracted Water

(G4.EN3, G4.EN15, G4.EN16)

Energy Consumption

Increased activities in the mine site, as well as in the RTNMC Townsite meant an increase in the energy requirements of the company for the year.

Total fuel consumption recorded for 2014 was 48,237 L of gasoline and 13,652,269 L of diesel.

Below is the Summary of various equipment and fleet fuel consumption, with Carbon Dioxide emission which was calculated by multiplying consumption to a factor of 2.68 tCO_2/ltr (for diesel) and 2.35 tCO_2/ltr (for gasoline).

	Fuel Consumed (L)	GHG Emission (t CO_2)
Diesel	13,652,269	36,458
Gasoline	48,237	113

Energy consumption in 2014 was:

	Consumption Mwh	GHG emission t CO_2
Through GenSets at Piersite	201	173
Plantsite Facilities	2,561	1,378
Townsite Facilities	4,189	2,253
Total	6,951	3,804

Total Fuel Consumed

48,237 liters Gasoline

13,652,260 liters Diesel

(G4.EN23)

Waste Management

RTNMC practices waste segregation. Mine wastes, sludge and other solid wastes are stockpiled and disposed properly, away from water systems. Biodegradables go to landfills while recyclables such as wood, steel, paper and plastic are recovered through the Materials Recovery Facility.Waste dumping is minimal since most materials mined and moved are either stockpiled as low grade ore or hauled to drying areas for eventual shipment. This allows the company to rehabilitate and reforest previous waste dump areas.

The company also has a regulated sanitary landfill with an estimated holding capacity of 240,000 cu m., with a leachate filtration and odor control system. Disposed waste is covered with a layer of soil twice a week.

Meanwhile, hazardous wastes are handled properly and strictly monitored by PCO. RTNMC engages the services of DENR-accredited hazardous waste transporters and treaters for proper storage, transport and disposal. Monitoring data are recorded and reported quarterly to the DENR.Used oil is another waste material that the company rigorously monitors. It maintains several oil-water separators and ensures proper storage for used oil.

List of other hazardous wastes collected:

	Used-oil	79,600 kg
	Used-oil filter	1,378,280.68
	Lead-acid batteries	385 pcs
	Busted Fluorescent lamps	1,863 pcs

Total Amount of Waste Generated

15,021 cu. m 2014

SOCIAL EMPOWERMENT

Employee Relation and Diversity

RTNMC workforce is comprised of 664 fulltime employees and 21 consultants/contractual staff. It also employed 1,236 seasonal workers. Eighty-three percent (83%) of the fulltime employees are local hires from the province. Employee turnover for the year was only for 26 people, mostly due to retirement.

Of the regular staff, 510 (77%) are members of the prevailing Collective Bargaining Agreement between RTNMC and the Rio Tuba Nickel Workers Union. The CBA have paved way for employees to be provided benefits above the standards of the Labor Code, including free medical and dental services at the company-run hospital, annual physical examination and executive check-up every three years for employees aged 45 and above, housing allowance or free housing with water and electricity, free transportation to and fro work, and more.

Of the regular staff, majority are males (93.5%) and between 30-50 years old (65.2%) though there are notably still about 17% over 50 years old usually found in supervisory positions.

(G4.LA12)

EMPLOYEE BREAKDOWN

GENDER	REGULAR/ PROBATIONARY	CONTRACTUAL	PROJECT-BASED	TOTAL WORKFORCE
MALE	620	20	0	640
FEMALE	44	1	0	45
TOTAL	664	21	0	685

By Position Level and Gender

GENDER	SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
MALE	8	13	97	6	497	621
FEMALE	1	4	17	7	14	43
TOTAL	9	17	114	13	511	664

By Position Level and Age Group

AGE GROUP	SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
Over 50 years old	4	9	31	2	70	116
30-50 years old	5	7	44	8	369	433
Under 30 years old	0	1	39	3	72	115
TOTAL	9	17	114	13	511	664

By Age Group			
GENDER	UNDER 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD
MALE	107	407	106
FEMALE	8	26	10
TOTAL	115	433	116

(G4.EC6)

EMPLOYEES FROM LOCAL COMMUNITIES			
REGULAR	PROBATIONARY	CONSULTANTS/ CONTRACTUAL	TOTAL
545	9	4	558

TURNOVER BY GENDER	
MALE	21
FEMALE	5
TOTAL	26

* Most of the employees retired

PROBATIONARY EMPLOYEES	
MALE	19
FEMALE	5
TOTAL	24

(G4.EC3)

COMPARISON OF BASIC MINIMUM WAGE	
Government Mandated	Php 264/day
RTMNC Minimum Wage	Php 288/day

(G4.LA9)

TRAINING & DEVELOPMENT	
	HOURS
TOTAL NUMBER OF TRAINING HOURS (Whole Year)	15,649
TOTAL NUMBER OF EMPLOYEES TRAINED	358
AVERAGE TRAINING HOURS per EMPLOYEE	43.71

Collective Bargaining

In 2014, the RTNMC renewed its CBA with the Rio Tuba Nickel Workers Union (RTNWU) under the following terms:

1. General wage increase to all employees under CBA by Php 80.
2. RTNMC shall grant Php 2,400 per month food allowance to all regular employees.
3. Ceiling for medical coverage :
    - for employees - Php 800,000
    - for dependents - Php 700,000

(G4.LA5, G4.LA6, G4.LA7)

Health & Safety

As a responsible mining company, RTNMC ensures the health and safety of its workers by imposing strict safety programs and measures in its mine sites. Employees are also provided with the proper mining and safety equipment to avoid unnecessary accidents and loss of man-hours. Standard materials provided to employees are as follows:

- Skull guard
- Plastic goggles
- Dust/ gas respirator/ mask
- Air muff
- Hand gloves
- High visibility vest
- Rainboots
- Raincoat
- Safety shoes

RTNMC also established a Central Safety and Health Committee (CSHC) to handle issues relating to occupational health and safety programs of the operation and plant site. These programs cover education, training, counseling, and prevention & risk-control not only for employees but also for their families and other community members. A total of 15 safety officers are appointed in the committee.

The committee is composed of:

- Resident Mine Manager – Chairman
- Safety Engineer – Presiding Officer
- Members – Division/Group/Department/Section heads, Union representatives, Contractors representatives, vendor representatives, Company physician, and Safety Inspector/ Officer as secretariat.

SUMMARY OF ACCIDENTS	
TYPES	NO. OF CASES
STRUCK AGAINST / BY HARD OBJECT	16
TOPPLING ACCIDENT	2
BACKING ACCIDENT	12

The safety officers conduct walkthrough inspections around the minesite to ensure that the safety code is followed by all the employees in the site. The team also conducts daily toolbox meetings as well as monthly safety meetings to regularly monitor the issues and concerns of the employees on safety measures.

Total Man Hours for the year grew 12% to 8,014,788. Despite this increase, RTNMC was able to accomplish a Zero Frequency Rate and Severity Rate for the year 2014. This means No Lost Time Accidents had been recorded for the year.

This feat was made possible by strict implementation and monitoring of safety standards, as well as continuous trainings on health and safety.

The company also has an emergency response and preparedness program together with emergency response teams (ERT) in each major department who are assigned as first responders to emergencies. The members of the ERT are trained in basic firefighting and medical rescue. The company maintains a fire truck and an ambulance, always on standby.

LIST OF SAFETY TRAINING	
GENERAL ORIENTATION FOR NEWLY HIRED	389
DEFENSIVE DRIVING	871
FIRST AID TRAINING	79
FIRE FIGHTING	45
EMERGENCY PREPAREDNESS	4
SAFETY OPERATING PROCEDURE AND FIRE PREVENTATION	8

COMMUNITY PROTECTION

(G4.EC7, G4.EC8, G4.S01, G4.S02)

Social Development Management Program

Total SDMP spending for 2014 was PhP 27.24 M, with allocations divided among four main concerns:

Total SDMP
PhP 27.24 M

Educational Support Program
PhP 7.8 M

Infrastructure Projects
PhP 3 M

Health Programs
PhP 12.56 M

Livelihood Programs
PhP 3.88 M

14-km
barangay road

Through the SDMP, the company constructed a 14-km barangay road, built three classrooms and repaired one, provided scholarships to 30 students, funded teacher incentive programs, implemented out-of-school-youths and feeding programs, financially supported nine health centers, provided medicines and equipment, and funded incentive projects for barangay health workers.

250-member
beneficiaries

The company also supported a coffee plantation project of eight cooperatives with 250-member beneficiaries, gave assistance to Brgy. Sarong Livestock Farmers Association, and provided farm inputs for Brgys. Ocayan, Latud and other non-impact barangay farmer associations which served 120 families.

Apart from the company's SDMP obligations, a number of CSR initiatives are implemented by the RTN Foundation Inc. (RTNFI), namely:

- Primary Level Hospital
- Leonides S. Virata Memorial School (LSVMS)
- Indigenous Learning System (ILS) Centers
- Gawad Kalinga (GK) Housing Program

Another major investment of the foundation is in the LSVMS -- a La Salle - supervised school located within the RTNMC townsite, established in 1986, and catering to the educational need of mine workers' dependents and students from outside RTNMC compound.

The LSVMS during school year 2013-2014 produced a total of 128 kindergarten, 112 elementary, and 70 high school graduates. Enrollees for SY 2014-2015, meanwhile, totals 1,359 students. Meanwhile, the Scholarship Program had 40 recipients for SY 2013-2014, and 50 recipients for the SY 2014-2015.

Apart from the maintenance of school facilities, a number of upgrades were completed. Noteworthy is the upgrade of the LSVMS Computer laboratory, which now prides itself with state-of-the-art educational tools with 51 units of iMac computers, 18 units of Apple TV and 18 iPads.

RTNFI provides subsidy to all students of LSVMS (employee dependents and host communities) by charging a small amount of Php 300/year. Average cost per student per year is Php 33,000, paid by the company, amounting to Php 44 million in 2014.

For the indigenous communities, RTNFI runs the Indigenous Learning System. Established in 2006, it is an alternative literacy program especially designed for the Palawan Indigenous People (IP) and its mission is to eradicate illiteracy and provide enhanced opportunities for a better life among the IP.

There are now 27 Community Learning Centers (CLCs) under the ILS located in different barangays with an average enrollment of 1,462 participants throughout the year. The ILS's 8th Graduation Rites held this year merited 42 learners accelerated to college, 5 learners to high school, and 5 from basic literacy to elementary level.

Every year, the center administers a Functional Literacy Test (FLT) to qualify participants for the Department of Education's accreditation and equivalency program. This year, around 500 learners were identified as qualifiers for the DepEd program. As continued support, RTNFI has granted scholarships to former ILS learners and passers of DepEd Acceleration and Equivalency Exam. From non-formal school, these students are now in the formal school system, working to become degree-holders and professionals someday.

Another major on-going project for the foundation is its housing project through GawadKalinga (GK). RTNFI maintains an active participation in its partnership with GK and its community housing project that will ultimately benefit 270 families. Only 6 duplexes remain under construction while the others have been turned over and are now home to communities that RTNFI also supports with health, educational and livelihood programs.

The RTN Hospital is categorized as the Primary level hospital catering primarily to medical needs of the RTNMC, RTNFI, CBNC and their dependents and patients from the nearby communities. The RTNFI hospital has doctors, nurses, laboratory personnel and other required technologists.

The RTN Hospital served a total of 2,668 confined patients and 42,203 out-patients in its facility, conducted a bloodletting drive, spearheaded an anti-malaria and anti-dengue drive, and organized the (Far Eastern University) FEU Medical Society Medical Mission that served 2,650 patients.

BLOODLETTING DRIVE	98 PEOPLE
FEU MEDICAL SOCIETY MEDICAL MISSION	MAJOR OPERATION = 60 PATIENTS
	MINOR OPERATIONS = 112 PATIENTS
	OPD CONDULATION = 2,268 PATIENTS
	DENTAL = 152 PATIENTS
	OPHTHAMOLOGY = 55 PATIENTS

DENGUE CASES

	RTNMC	RTNFI	OUTSIDER	CONTRACTOR	IPS	TOTAL
2011	22	4	20	4	29	99
2012	56	7	65	5	37	170
2013	87	19	127	11	59	303
2014	43	15	28	21	99	206

In support for the continual education of our medical doctors, RTNFI provides assistance to 2 of our doctors who are pursuing higher education in their field of specialization.

DR. BIMBO ALMONTE	TRAINING ON RESIDENCY (2014 - 2017)	MANILA
DR. REGINALDO Z. MIA	MASTER'S DEGREE IN OCCUPATIONAL HEALTH (2013 - 2014)	MANILA

NAC Companies & Subsidiaries

Taganito Mining Corporation (TMC)

NAC Ownership 65%
First Commercial Shipment in 1989
Mineral Production Sharing Agreement up to year 2034
Total area of coverage 4,862.71 hectares

Taganito Mining Corporation operates a 4,862.71 hectare mine site located adjacent to the Taganito Special Economic Zone (TSEZ) in the Municipality of Claver, Province of Surigao del Norte in the Caraga Region (Region XIII), Mindanao, Philippines.

TMC also provides services to Taganito HPAL Nickel Corporation (THNC) located adjacent to the mine site. TMC's services includes handling, hauling and transportation of materials required in THNC's processing operations. TMC also supplies 4.5M WMT of limonite ore annually, which is being used by the Taganito HPAL plant.

In pursuit of development, TMC partners with its four host barangays -- Hayanggabon, Urbiztondo, Taganito and Cagdianao -- and is a responsible neighbor to ten other non-mining barangays of the municipality.

The barangay of Taganito itself is home to a populace of around 3,300, many of whom moved to the area for employment opportunities in the company. The mine site is able to gainfully employ more than 1,400 individuals, about 96% of which comes from the local labor force.

The area is also part of the ancestral domain of the Mamanwas, one of the oldest tribes of the country that is believed to be descendant of the original settlers of the Philippines. Aiming to ensure the rights of indigenous peoples, TMC helps support the organization Asosasyon sa Madazaw na Panagkaisa ng mga Tribong Mamanwasa Taganitoug Urbiztondo (Ampantrimtu) which is officially registered with and recognized by the National Commission on Indigenous Peoples (NCIP).

A large part of the municipal land of Claver is identified as a Mining Reservation because of its mineral deposits, though farming and fishing are also sources of livelihood for the residents. There are several river systems in the area that feed into the Kinalablaban Bay and it is the 6.1 Km Taganito River that TMC has officially adopted for protection and sustainability measures in cooperation with the local government unit and agencies.

TOTAL REVENUES

Php 8,907.5M
2014

Php 3,370.3M
2013

NICKEL ORE SOLD

7,087.7 thousand WMT
2014

3,893.1 thousand WMT
2013

(G4.EN31)

ENVIRONMENTAL PROTECTION

The environmental initiatives are carried out in line with the Environmental Protection and Enhancement Program (EPEP) of TMC. Annually, the company sets a budget for the EPEPs and identifies key areas that programs will focus on, considering the communities requirements. Such key areas, for example, are the quality of land, air and water in and around the mine sites. To mitigate the impact on these 3 aspects of the environment, TMC conducts the following activities:

LAND	AIR	WATER
Removal/extraction of soil during the mining operation will result in the degradation of land surface. However, mitigating measures, such as reforestation and rehabilitation, are being laid to mitigate the impact on mined-out areas.	During dry months, dust emissions are managed using water truck lorries deployed to spray the active haulage roads.	During rain, run-off water will flow downstream from the mine pit, causing siltation. However, siltation ponds were strategically constructed to allow solids to settle before releasing the water to the river and meet the allowable DENR standard which is 90 mg/L (as per DAO-35).
Php 137.4 M	Php 24 M	Php 183.7 M

EPEP BUDGET

For 2014, TMC increased its annual Environmental Protection and Enhancement Program (EPEP) spending by more than 30% to implement effective environment management systems to help mitigate negative effects of mining activities.

MPSA AREA : 4,862.71 HA	2014	2013
DISTURBED	1,368.19 ha	1,157.42 ha
UNDISTURBED	3,494.52 ha	3,705.29 ha

TOTAL EPEP EXPENDITURE

Php 345.1M
2014

Php 260.1M
2013

(G4.EN11, G4.EN12, G4.EN13)

Land Protection

The mine rehabilitation for this year targeted three (3) declared mined out pits that cover a total of 45 hectares, successfully accomplished:

Even as rehabilitation of mined out areas remains the major commitment – which entails reshaping, backfilling, stabilization and tree planting – TMC is also committed to the National Greening Program (NGP) and reforestation efforts for the area.

The company's NGP commitment for 2014 is 34 ha, which it surpassed by more than 47% -- reporting an accomplishment of 50.11 ha.

Aside from its NGP commitment, TMC also maintains reforestation and enrichment planting programs within and outside its MPSA area, contributing to neighboring communities. It has added 117.82 ha to its reforestation efforts, planting more than 202,019 seedlings for the year. Slope Stabilization in more than five hectares of landslide prone areas has also been done, using carabao grass or needle grass and coco-matting installation.

The company has also added another seedling nursery -- bringing the number to three (3) nurseries which cultivate and propagate seedlings of auri, mangium, mangkono, yakal, lahilahi, sagimsim, and other native species of trees for use in its different initiatives. A total of more than 694,000 seedlings were cultivated and propagated in 2014.

Another rehabilitation project of note is the "Gulayan at Prutasan sa Minahan", a 1.6-ha project plot where the company is able to demonstrate that organic vegetable farming is a viable land use for mined out areas. This year, an upland rice plantation was added into the study.

Mine Rehabilitation

52.05 ha
2014

15.88 ha
2013

Seedlings Planted

2014

113,234
Rehabilitation

202,019
Reforestation

82,064
National Greening Program

2013

36,886
Rehabilitation

193,658
Reforestation

18,471
National Greening Program

Rehabilitation Progress

Before (Rehabilitation)

During Reshaping

During initial Planting

After Final Rehabilitation

After 1 Year

Rehabilitated Area

- **2006** Year Rehabilitated
- **7.32 has** Total area of **12,208 seedlings planted**
- Species planted **Agoho, mangium, antipolo, mangkono**

TMC takes the "cut and fill" rehabilitation strategy for its mined-out areas --meaning "use and rehabilitate". Because open pit or surface mining methods leaves barren areas with 15 to 17 meter high benches, a systematic and step-by-step progressive rehabilitation strategy is required.

First, 1:3 bench slopes have to be prepared and stabilized, then the slope will be covered by about a meter of topsoil, before being planted with native trees like acacia, angium, auriculiformis, agoho, as well as and fast growing grasses and vines.

For 2014, total amount of slope stabilization projects covered 4.97 ha.

Air Protection

Controlling the dust stirred up by site operations is among the daily concerns of the company. TMC uses water lorries for water spraying twice a day along active mine roads, pier yards, campsite, causeway and the national highway – about 126,030 m^2 of road network.

TMC's conveyor belt system also became operational in 2014 while an additional conveyor system is currently under construction and is expected to be operational by 2015. When operational, both systems will be able to convey about 80% of the ore deliveries to the THPAL plant located adjacent to the mine site. This significantly reduces hauling activities and the attending dust, as well as the fossil fuel consumption for trucks.

The company conducts air sampling in six stations around the area twice a month to monitor air quality. Regular monitoring allows TMC to check the effectiveness of its air pollution control measures to keep air quality well within the DENR standard of 230 μg/NCM Total Suspended Particulates (TSP).

Meanwhile, though the site area is about two kilometers from the nearest community of Brgy. Taganito, TMC conducts Noise Level monitoring weekly in two stations, gathering data at morning and daytime. Environmental Quality Standards for industrial areas are at 70dBA for mornings and 75 dBA for daytime. The company has generally managed to stay within the standards but has noted data that show higher noise level on some days.

(G4.EN9, G4.EN22)

Water Protection

Maintaining water quality is an integral part of TMC's EPEP, and is of course, a valued resource necessary for the sustainability of the business.

The company uses a host of strategies to help mitigate effects on the water resources of the area. TMC devised a drainage system to collect and separate clear waters from disturbed areas. The clean water is discharged into Taganito River, while silt-laden runoff is discharged in settling ponds. Once suspended particles settle in the pond, the clean water is discharged into the environment.

Catch drainage and line canals direct the runoff to silt ponds to protect water bodies, especially the Taganito River. Desilting is planned and scheduled usually during dry months, considering the capacity of settling pond and volume of run off in nine major settling ponds. The company uses mechanized or manual desilting technologies wherever appropriate.

TMC monitors the rate of water intake at the settling ponds and the quality at the discharge points. Parameters closely monitored are the Total Suspended Solids(TSS) and pH levels.Samples are regularly gathered at discharge points for quality testing. Also being monitored is Cr6+ concentration to establish benchmarking data as agreed with EMB.

DENR standards of Total Suspended Solids (TSS) levels at 90 mg/L and 6.5pH – 9.0pH range level are generally complied with.

TMC installed gabions, rock riprapping and boulder lining to prevent scouring of river embankments. Just as important, the company continued its mangrove planting activities to strengthen the riparian zones and improve the health of the river. TMC adopted the Taganito River in collaboration with EMB-Region 13 and the Local Government Unit (LGU). The 6.1 Km river is the main stream affected by the operation of TMC. A siltation pond was strategically built to arrest run-off from the mine pits. Deposited sediment materials from upstream sources are periodically dredged using backhoes and a water master dredging machine.

TMC adopted a mangrove rehabilitation project for the year -- a coastal management initiative of Brgy. Bagacay which aimed to restore a 5-ha mangrove forest. The project was successful in planting more than 17,328 mangrove propagules into the area.

	TSS (mg/L)	pH levels
JAN	76	8.9
FEB	54	7.5
MAR	88	7.2
APR	43	7.4
MAY	63	7.4
JUN	10.5	8.2
JUL	10	7.7
AUG	10.5	8.36
SEP	13.67	7.65
OCT	121	7.54
NOV	14	7.92
DEC	27	7.4

TSS DENR standard: 90 mg/L

Total Silt Volume Collected

Mechanized:
573,301 WMT (Settling ponds)

Manual:
6,801 WMT (Taganito River inlet, Camp site drainage, Silt fences)

Catch Drainage:
18,246 WMT (Drainage System)

(G4.EN3, G4.EN15, G4.EN16)

Energy Consumption

Energy consumption is monitored by the company with the aim of improving operational efficiencies and conserving resources.

TMC uses its own generator sets in soundproof powerhouse buildings as main source of electrical power for its operations. Fuel Consumption for 2014 -- for transportation, production and electric generation – was 16,099,014 liters of diesel.

Taking into consideration the increased production for the year, a higher in overall energy consumption was expected.

Electricity Generated

1,171 MWh
2014

863 MWh
2013

Electricity Purchased

17,485 kWh
2014

40,260 kWh
2013

Diesel Used by Gensets

456,527 liters
2014

429,343 liters
2013

The Greenhouse Gas Emission Inventory reported by the company to the DENR puts the GHG Emission Intensity at 0.00621 t CO2e/WMT.

Direct GHG Emissions by weight (Scope 1)	44,012.49 t CO2 e
Indirect GHG Emissions by weight (Scope 2)	5.01 t CO2 e

(G4.EN23)

Waste Management

As part of ensuring optimal use of its resources, the company practices “segregation at source” and strictly enforces the policy. The practice helps maximize the collection of recyclable materials while minimizing wasteful behavior.

TMC manages its solid wastes through a regulated sanitary landfill and a Material Recovery Facility (MRF) located in the site. The MRF is able to provide livelihood to two local families who assist in the facility.

SOLID WASTE	2014	2013
Sanitary Landfill	334.7 m^3	1,498 m^3
Recyclable/scrap metal from Material Recovery Facility (MRF)	18,864 kg	19,182 kg
Saleable Materials	PhP 112,618	PhP 189,907
Low grade boulders (used for mine yard matting, road ballasting and surfacing	411,984 WMT	404,585 WMT

Hazardous wastes from operations (used oil, used batteries, used motor oil filters and chemical acid waste from assay laboratory) are also properly disposed of. A storage facility temporarily and safely houses the oil, oil filters and batteries until they are sold to EMB-accredited buyers. The used oil first goes through a two-chamber oil-water separator prior to storage.

Meanwhile, the chemical wastes from the Assay Laboratory are diluted before discharged to a sink drain and into a chemical waste storage pit. This process is closely monitored and included in the quarterly report to the EMB.

SOCIAL EMPOWERMENT

Employee Relations and Diversity

TMC employs a 1,466-strong workforce, about 96% of whom are local hires.The 1,054 contractuals are recruited locally from the province. The company maintains a harmonious relationship with its workforce and has not experienced any labor strike or lock-out throughout its history.

226 regular employees are covered by the Collective Bargaining Agreement (CBA) that was signed with the Taganito Labor Union (TLU) and that remains in effect until January 2015. This number represents 55% of total number of regular/probationary employees (15.42% if compared to the overall total number of employees).

(G4.LA12)

EMPLOYEE BREAKDOWN

GENDER	REGULAR/ PROBATIONARY	CONTRACTUAL	TOTAL WORKFORCE
MALE	353	1,015	1,368
FEMALE	59	39	98
TOTAL	412	1,054	1,466

EMPLOYEE BREAKDOWN

GENDER	SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
MALE	1	23	55	34	240	353
FEMALE	-	4	17	26	12	59
TOTAL	1	27	72	60	252	412

By Position Level and Age Group

AGE GROUP	SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CLERICAL/ TECHNICAL	RANK AND FILE	TOTAL
Over 50 years old	1	10	14	2	70	97
30-50 years old	-	16	41	38	163	258
Under 30 years old	1	1	17	20	19	57

By Age Group

GENDER	UNDER 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD
MALE	40	220	95
FEMALE	17	38	2
TOTAL	57	258	97

(G4.EC6)

Contribution to Local Employment						
SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CLERICAL/ TECHNICAL	RANK AND FILE	CONTRACTUALS	TOTAL
-	18	62	69	226	1,054	1,429

(G4.LA1)

New Hires by Gender	
GENDER	
MALE	1015
FEMALE	39
TOTAL	1054

Turnover by Gender	
GENDER	
MALE	20
FEMALE	4
TOTAL	24

EMPLOYEES UNDER COLLECTIVE BARGAINING AGREEMENT	
Total number of employees	412
Employees under CBA	226
%	55.9%

(G4.LA9)

TRAINING & DEVELOPMENT	
TRAINING HOURS	HOURS
TOTAL NUMBER OF TRAINING HOURS (Whole Year)	15,649
TOTAL NUMBER OF EMPLOYEES TRAINED	358
AVERAGE TRAINING HOURS per EMPLOYEE	43.71

AVERAGE TRAINING HOURS BY POSITION			
SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	RANK AND FILE
12	11.07	3.58	1.86

(G4.LA5, G4.LA6, G4.LA7, G4.LA8)

Health and Safety

Health and safety in the workplace is essential in the mining industry, and these are areas that the company considers top priority.

Health and safety topics included in the CBA are:

- medical, dental and hospitalization benefits
- free annual physical exam
- use of ambulance
- creation and maintenance of a central safety committee
- accident investigation and reporting
- identification prevention of hazardous and unhealthy working conditions
- safety paraphernalia
- training and education
- grievance machinery
- proper labeling of chemical containers
- transportation for employees during weekly marketing
- physical fitness facilities

Monitoring the company's Health and Safety Programs are 106 employees as members of different committees: Central Safety Committee (CSC), Labor Management Committee (LMC), and Loss Control Coordinators.

The company through its medical clinic provides health services not only to its employees but also to their dependents and its host communities. Clinic staff includes one (1) resident physician and six (6) nurses. The clinic is open 24/7 to its employees, however, check-ups and consultations for employee's dependents and community members are available only during the day.

Safety Performance

7,058,295
Safe Man Hours

0.43 (per million manhours)
Lost Time Injury Frequency Rate

22.53 (per million manhours)
Lost Time Injury Incidence Rate

Severity Rate
850.63

Common illnesses/ diseases contracted by employees are Upper Respiratory Tract Infection and Influenza, Allergic Dermatitis, Conjunctivitis, Low Back Pains, Myalgia and Headache. These diseases are due to dust, extreme heat at the field, sudden change of climate, prolonged sitting for the drivers and operators, as well as other non-work-related factors

The Medical Department addressed these health related issues by:

- Conducting awareness and prevention programs.
- Provision of make-shift sheds to help prevent the adverse effect of climate change, from the extreme heat during warm weather and chilliness from sudden downpour at the field.
- Provision of adequate potable water to prevent dehydration and all other ill-effects of extreme heat like headache. Four tanks of water with 340L capacity have been installed in places where it can serve most of the employees working in the mine production field.

For this year, there were 22 training modules offered including the essential Basic Occupational Safety and Health (BOSH), Fire Brigade Volunteer Training, Construction Safety and Defensive Driving.

For work site and personnel security, the company has a Unified Security Plan that employs 240 Special Civilian Armed Auxiliary (SCAA) as well as 58 Security Guards assigned in strategic outposts and patrol bases. It is the company's belief that military presence serves to neutralize threats such as illegal intrusion, theft and pilferage, as well as potential rebel attacks or insurgencies.

Security personnel are also provided additional trainings such as Basic Arnis, Hand to Hand Combat, Fire Fighting, SCAA Refresher Training with Markmanship, and Pistol Markmanship.

COMMUNITY PROTECTION

(G4.EC7, G4.EC8, G4.S01, G4.S02)

Social Development and Management Program

TMC's commitment to its host and neighboring communities is formalized through the annual Social Development Management Program (SDMP). The SDMP covers projects in the areas of Health, Education, Livelihood, Public utilities/services and Socio-cultural preservation (HELPS) as defined by the Mines and Geosciences Bureau RXIII.

For 2014, SDMP spending was increased by about 160% due to the increase in operating costs, especially in Education. Not only did 60% more students receive financial assistance, but Brgy. Cagdianao now has a school bus that is used by about 150 students daily.

Even the Livelihood thrust for the year is education-based, as TMC partnered with Technical Education and Skills Development Authority (TESDA) and Surigao State College of Technology (SSCT) to conduct capacity-building and skills development that will help the participants become employable.

Other programs supported by the SDMP, such as the health program that supports Barangay Health Workers, physician and midwife made significant difference in the quality of life of the communities.

Spending on Infrastructure Projects also increased from Php 2.18M to Php 6.85M in 2014, which allowed the company to contribute even more needed facilities that will benefit the communities for many years.

Infrastructure Project Expenditure

Php 6.85M
2014

Php 2.18M
2013

SDMP Expenditure

Php 3.4M
Health Programs

Php 3.2M
Livelihood Programs

Php 11.5M
Education Programs

Php 6.23M
Public Utility & Services Programs

HEALTH

Extension of Barangay Urbiztondo Health Center	Average of 135 patients per month	Urbiztondo	Php 210,000
Completion of Brgy. Taganito Feeding Center	Serves about 120 children per week	Taganito	500,000
Provision of equipment for Taganito Health Center			150,000
Support to BHWs, ambulance drivers, midwife and community physician	BHWs- 11, Ambulance Driver -2, Midwife, Community Physician - 1	Cagdianao & Hayanggabon	1,926,000
Ecological Solid Waste management (trashbins)	1, 389 House Holds	Taganito	250,000
Health Education Campaign and Capability Enhancement Trainings	24 BHWs Attended First Aid Training		398,340
Nutrition Program - Supplemental feeding	Abuout 120 children are part of the program	Taganito	50,071
			Php 3,484,411

LIVELIHOOD

DT Drivers Training	43 trainees	Taganito and Urbiztondo	Php 617,053
Backhoe Operator Training	103 trainees		1,350,414
Masonry and Carpentry Training	50 trainees		330,129
Assistance to Hog Fattening Micro Project Proposal (SSCT-Mainit)	4 College students (Project Propnent)		140,000
Natural Farming Techniques Training	145	Urbiztondo & 10 non-mining barangays	107,650
Rootcrop Production		Urbiztondo	97,650
Improvement of PO Buildings		Taganito, Uriztondo, Hayangabon	557,432
Assistance to Bantay Dagat Patrol Boat Operators			18,370
			Php 3,218,698

EDUCATION

Provided subsidy to school teachers (P 10,000/month for elementary and high school teachers & P4,000/month for kinder teacher)	8 teachers	Taganito, Urbiztondo, Hayanggabon & Cagdianao	Php 872,000
Provided Financial Assistance to College Students	57 college students 74 college students 51 college students 13 college students	Taganito Urbiztondo Hayanggabon Cagdianao	1,756,452 1,584,000 1,335,000 216,000
Donated School Supplies in support of the HEALS Program of Provincial Government of SDN	7,000 pcs of bags and 4,236 pcs of caravan supplies	Municipalities in the Province of Surigao del Norte	1,404,500
Provision of 1 unit school bus to Brgy. Cagdianao	Average of 150 students per day	Cagdianao	2,100,000
Donated DLC Instruments for Elementary School of Brgys. Daywan and Lapinigan	Brgy. Daywan – 551 students, Brgy. Lapinigan – 186 students	Daywan, Lapinigan	200,877
Embankment of Taganito Elementary School Compound	699 students	Taganito	500,000
Construction of Sapa Elementary Perimeter Fence (Phase 1)	220 students and 7 teachers	Sapa	105,350
Improvement of Ladgaron Daycare Center	50 students	Ladgaron	101,434
Construction of Hayanggabon Elementary Perimeter Fence (Phase 1)	432 students and 12 teachers	Hayanggabon	200,000
Financial Support to School Guards (P8,000/month)	4	TES,TNHS	416,000
Financial Support to Utility Workers (P6,000/month)	2	TES,TNHS	150,000
Support to trainings and seminars and other school-based and regional activities	22 various trainings and seminars & other school-based and regional activities	Taganito Elementary & National High School and Urbiztondo Elementary School	643,940
			Php 11,585,554

PUBLIC UTILITIES AND SERVICES

Seawall Bouldering of Puroks 2 and 3 of Barangay Urbiztondo	50 households	Urbiztondo	Php 1,200,000
Completion of Senior Citizen's Building and Procurement of facilities		Urbiztondo	531,543
Marine Sanctuary Maintenance of Barangay Urbiztondo		Urbiztondo	166,905
Capangdan Catholic Chapel Completion		Urbiztondo	700,000
Improvement of Barangay Taganito Purok 2 Multi-purpose Hall		Tagnito	500,000
Completion of of Barangay Taganito Valley Cathedral Church		Tagnito	1,000,000
Assistance to water system		Hayanggabon	173,905
Pathway Construction		Wangke	100,840
Streetlighting Projects	28	Tayaga, Cabugo, Magallanes	300,445
Procurement of Tables and Chairs		Panatao	100,065
Provision of Handheld Radios to Barangay Bagakay	15 Barangay Tanod	Brgy. Bagakay	100,000
Financial Support to TMCSALDETC Care Taker		Taganito	78,000
Financial Support to Bantay Dagat Operation	3 patrol boat operators guarding the coastline in support of Coastal Resource Management Program		208,806
Support to Emergency and Disaster Response of Barangay Taganito			557,462
Support to Emergency and Disaster Response Barangay Cagdianao			298,898
Support to Emergency and Disaster Response Barangay Urbiztondo			215,577
			Php 6,232,450

SOCIO-CULTURAL

Support for Barngay Fiestas other community events			Php 250,000
		Total (DHNC)	Php 24,771,114
		Infra Projects	Php 6,856,423

CSR for IP Communities

Meanwhile, the company's voluntary CSR (Corporate Social Responsibility) programs remain focused on supporting the 120 Mamanwa households who are members of the Asosasyon sa Madazaw na Panagkaisa nan mga Tribong Mamanwasa Taganitoug Urbiztondo (Ampantrimtu) living in the Punta Naga Village.

In 2014, one of the major projects was the installation of a hydraulic ram pump water system that provided an accessible water source for domestic use. This PhP1.9M project was done together with THPAL and local NGO METSA Foundation.

Aside from infrastructure projects, TMC remains fully committed to the betterment of the Punta Naga Village. It is steadfast in its support to programs on Education, Youth and Sports Development and other Community Projects, allotting almost PhP4.7M for this year alone to fund the various initiatives.

Other key projects continued this year were: The PNES Adopt-a-School program that included improving school facilities providing educational materials and equipment, as well as the scholarships to high school and college students. The company considers these programs as an on-going commitment, worthy of its continued support.

Recipient/s	Donation	
Punta Naga Elementary School (PNES) Teaching & non-Teaching Staff	Honorarium	Php 995,990
7 IP student scholars	Food allowance and tuition fees	284,860
Punta Naga Elementary School	Assistance to various trainings, activities and electric bill of PNES	426,236
Punta Naga IP-Urbiztondo & Taganito Community	Pre-fabrication and installation of Hydraulic Ram Pump and other related expenses	1,964,342
Punta Naga IP-Urbiztondo & Taganito Community	GK IP House Renovation (10% Retention)	338,072
Punta Naga IP-Urbiztondo & Taganito Community	Water Supply and Delivery	719,336
	TOTAL	Php 4,728,838

CSR for Non-IP Communities

Apart from programs for the IP communities, TMC also allotted around Php 12.3M for projects that would benefit its host and neighboring barangays.

One of the major projects of 2014 was the partnership of TMC with the Claver LGU for the building of the Sabang seawall in Brgy. Tayaga, Claver. TMC's Php 3M share for the Php10M community project was used for the construction of the actual seawall. As a protective barrier, the seawall is seen to help reduce the storm surge risks for the coastal community, including the nearby school.

Another ongoing program is the Medical-Surgical Mission -- now on its third year. A total of 83 patients were accommodated for major surgery, 178 for minor and 2,235 for the medical consultations. This project is an annual collaboration between TMC, THPAL, HMC, CMC, local government units and barangay and municipal health workers, as well as the Caraga Regional Hospital.

TMC is also maintaining the Emergency Response Team, tasked to respond to the needs of the communities in times of disasters. Seeking to strengthen the skills of the team and the communities in general, TMC sponsored a Municipal-wide First-Aid and Basic Life Support training which was conducted by the Philippine National Red Cross. This project was another successful partnership with the Claver LGU and other mining companies.

Recipient/s	Donation	
MLGU-Claver – Brgy. Tayaga	Sabang Seawall	Php 3,000,000
14 Mining Barangays	Medical Surgical-Mission 2014	3,372,615
Surigao del Norte	Surigao del Norte Basketball Association (SNBA)	1,816,153
Various Barangay/Municipalities (within and outside Claver)	Donations to Fiesta celebrations	1,301,000
Various Barangay/Organization (within and outside Claver)	Christmas Parties (Including Stakeholders Party)	571,540
Various barangays within Claver	Fuel Donations	1,566,779
Claver - LGU		
Students from various Schools within and outside Claver	Support for DRRM Training and assistance during calamities	120,623
Individual Solicitation	Teacher and student assistance on various education related projects and activities	41,500
Taganito BLGU	Assistance Health/Accident/Death	50,500
Various Barangays/Groups/Organizations within the Province	Backfilling projects	342,616
	Donation Financial Assistance for various events and activities	71,190
	Annual Fees/Membership to Various Groups/Organization	49,933
	TOTAL	Php 12,304,450

NAC Companies & Subsidiaries

Hinatuan Mining Corporation (HMC)

NAC Ownership 100%
First Commership Shipment 1982
Mineral Production Sharing Agreement up to year 2032
Total area of coverage 773 hectares

Hinatuan Mining Corporation (HMC) operates a 773.77-hectare mine site referred to as the "Tagana-an Nickel Project" at Hinatuan Island, in the Municipality of Tagana-an, Province of Surigao del Norte in the Caraga Region (Region XIII) in Mindanao. Brgy. Talavera, HMC's host community, is one of the fourteen barangays that comprise the municipality with total populace of more than 15,000 residents in its various island-barangays.

The company has endeavored to be a responsible neighbor and contribute to the improvement of the lives of the communities around it not only through job-creation but also through its various environmental and social development programs.

HMC was conferred by the Technical Education and Skills Development Authority (TESDA) as one of the Regional Awardees of the 2014 Kabalikat Awards (Industry Category) for its "extraordinary efforts to promote and use technical vocational education and training in making an impact on communities and making lives better for the people."

Also in 2014, the DENR had authorized HMC to dispose the nickel ore stockpiles in its non-operational site in Manicani Island, Guiuan, Eastern Samar. Guiuan was the site of the first landfall of super typhoon Yolanda in November 2013 that wreaked massive destruction and suffering for so many in the region. The stockpiles (mainly limonite ore) are from operations of HMC in the late 1990's which had been suspended due to social issues. While the stockpiles remained intact, their disposal will reduce any possible environmental effects that may be caused by further calamities.

TOTAL REVENUES

Php 5,122.8M
2014

Php 3,438.9M
2013

NICKEL ORE SOLD

3,462.9 thousand WMT
2014

3,441.9 thousand WMT
2013

(G4.EN31)

ENVIRONMENTAL PROTECTION

For 2014, the company allocated PhP 76.86 M to fund its annual EPEP which continued its focus on land, air and water protection. This budget was used for various environmental projects that focus on rehabilitation and reforestation, biodiversity, pollution control, solid and hazardous waste management and watershed management, among others. Other key projects of HMC were the National Greening Program, environmental monitoring, coastal resource management and various research initiatives with academic institutions and private organizations. Other initiatives of HMC focus on the mitigation of environmental impacts by focusing on key areas such as Land, Air and Water. Efforts to maintain the quality of these areas are as follows:

LAND	AIR	WATER
Progressive rehabilitation and reforestation	Dust control thru regular road grading and spraying	Construction of siltation ponds/ sumps and curtain canals

TOTAL EPEP EXPENDITURE

Php 76.8M
2014

Php 91.3M
2013

(G4.EN11, G4.EN12, G4.EN13)

Land Protection

Progressive rehabilitation of mined out areas and reforestation throughout the island and its coastal areas continues throughout the year. The company finished backfilling and reshaping 17.75 ha of mined out areas, with a volume of 455,699WMT backfill/topsoil. For 2014, it accomplished a rehabilitation program for an additional 6.2 ha and planted 46,393 seedlings – bringing the total rehabilitated area to 37.2 ha.

Meanwhile, reforestation efforts inside the MPSA area covered 32.68 ha with 102,222 seedlings. Outside of its MPSA area, the company helped to plant 83,601 seedlings over 97.83 ha area.HMC also maintains and monitors the growth and survival of the reforested areas, re-applying fertilizers and soil nutrients to help ensure high survival rates for the trees which was at 95%.

The company has an in-house nursery but it also makes use of a Community Output-Based Program (COBP) to help in propagating seedlings as well as to assist in actual planting and maintaining of the reforested areas.

Slope stabilization in 6.4 ha was done through slope greening and planting over 130,000 pots of grasses and vines, as well as installation of wattling and gabions.

HMC also has an ongoing Coastal Resource Management Program and this year was able to plant 36,832 mangrove seedlings (nipa and bakhaw) over a 5.5 ha area. The program also helped maintain 48-ha of coastal areas, supported by the nursery that was able to propagate more than 25,000 propagules. The rest of the requirement were sourced from the COBP.

Research collaborations with the University of the Philippines- Los Banos (UPLB) and the Caraga State University on the studies on mine rehabilitation technologies had gathered extensive data and are awaiting reports on results. The Jatropha feasibility study with private firm Kibitech was ended by December and the only activities left to do are tending of the plantation and collection of mature fruits.

Air Protection

Open pit mining or surface mining operations can work up a lot of dust and mitigating this effect is of utmost concern for the company. It maintains ten (10) water trucks for use in the regular spraying of all haul roads. Speed limits within the mine site are also strictly enforced, to help minimize dust formation.

Air quality is monitored at five sampling stations around the site and year-round results are within DENR standards.

Noise monitoring is also done regularly, and in areas which recorded higher than standard noise levels, workers were required to use ear plugs or mufflers.

Area Rehabilitated

6.2
hectares
Rehabilitation Program

32.68
hectares
Reforestation Program

Seedlings Planted

46,393
Rehabilitation Program
(95% survival rate)

102,222
Reforestation Program
(95% survival rate)

(G4.EN3, G4.EN15, G4.EN16)

Energy Consumption

The company uses its own generator sets to provide electricity for its operations, and uses diesel to fuel the generator sets and its mobile equipment.

In 2014, total diesel used was 6,132,760 L. Total power consumed for the year amounted to 376,335.55 kw/hr. Total GHG emissions from fossil fuels is at 16,469 (tones CO2e), an increase of about 13.9% from last year.

	2014	2013
Energy Consumption (kWh)	376,335	394,027
Diesel Consumption (Ltrs)	6,132,760	5,382,227
GHG Emission (tonnesCO2e)	16,469.44	14,453.89

Diesel Used by Gensets

6,132,760 liters
2014

Electricity Consumption

376 MWh
2014

394 MWh
2013

GHG Emission

16,469 tC02
2014

14,453 tC02
2013

(G4.EN8, G4.EN9, G4.EN22)

Water Protection

For 2014, the company consumed water at a total volume of 29,918.66 m3. Domestic use water is sourced from filtered springs around the area while water for dust suppression is sourced from Kaskag creek and the settling ponds. Clearly, water is an important resource and minimizing the risk of siltation in Tagana-an waterways is an important segment of HMC's EPEP. This year, the EPEP budget allocated about PhP15.5M for silt control measures.

	2014	2013
Water Consumption(cu.m)	29,918	42,878
Volume of Silt Collected (cu.m)	108,740	127,529

These silt control projects included daily de-silting and maintenance of nine settling ponds, construction of three additional settling ponds (adding 1,500 m3 capacity), maintenance and construction of new drainage canals along active mine pits, and the construction of eight silt collector sumps (adding 700 m3 capacity).

The settling ponds were able to discharge about 37,880 m3 volume of water. Volume of silt collected was 108,740.55 m3, with notably high precipitation rate throughout the year contributing to this number.

Total discharged volume:
37,880 cu m. (water)

Total silt collected:
108,740 cu m.

(G4.EN23)

Waste Management

HMC practices waste segregation and is able to capture and maximize use of recyclables and biodegradable materials. Non-recyclable solid wastes are disposed in a controlled dumpsite while shredded biodegradable materials are used as mulch in mine rehabilitation or used in vermiculture compost. Metal scraps, on the other hand, are sold to authorized buyers.

In 2014, the company had disposed junk units of machineries and vehicles amounting to PhP 1,894,700 and recovered 18 tons of scrap iron, and 360 pieces of used tires.

The segregated recyclables are stored in its Materials Recovery Facility (MRF). Identified hazardous wastes, meanwhile, are properly accounted and stored at a special hazardous waste facility at Central Area. HMC uses DENR-accredited transporters/treaters for the proper disposal of these kinds of wastes.

Used oil is also handled carefully, with a special containment unit at the storage facility. Last year, the company had 56,000 L of used oil.

Total used oil:
56,000 liters

Total scrap iron recovered:
18 tonnes

Total used tires:
360 pieces

SOCIAL EMPOWERMENT

Employee Relations and Diversity

In 2014, HMC had a total workforce of 1,029 – 161 of whom were regular/probationary employees while 868 were contractual or seasonal workers. Of the regular/probationary staff, 48% are covered under the current Collective Bargaining Agreement.

Demographics of the regular workforce: 83 positions are local hires from the province; about 16% are female; and majority of the population is between 30-50 years old -- with about 10% below 30, and also about 10% above 50.

(G4.LA12)

EMPLOYEE BREAKDOWN

GENDER	REGULAR/ PROBATIONARY	CONTRACTUAL	PROJECT-BASED	TOTAL WORKFORCE
MALE	135	-	-	135
FEMALE	26	-	-	26
TOTAL	161	0	0	161

By Position Level and Gender

GENDER	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
MALE	15	39	7	77	138
FEMALE	-	14	8	1	23
TOTAL	15	53	15	78	161

By Position Level and Age Group

AGE GROUP	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
Over 50 years old	3	5	-	8	16
30-50 years old	12	41	15	67	135
Under 30 years old	0	7	0	3	10
TOTAL	15	53	15	78	161

By Age Group & Gender			
GENDER	UNDER 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD
MALE	17	108	8
FEMALE	10	18	0
TOTAL	27	126	8

EMPLOYEES UNDER COLLECTIVE BARGAINING AGREEMENT	
SENIOR MANAGEMENT	MANAGERS
TOTAL NUMBER OF EMPLOYEES	161
EMPLOYEES UNDER CBA (Employees' Union)	78
PERCENTAGE (of employees under CBA)	48%

(G4.EC6)

CONTRIBUTION TO LOCAL EMPLOYMENT						
SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	CONTRACTUALS	TOTAL
-	-	3	6	42	527	578

New Hires by Gender	
GENDER	
MALE	8
FEMALE	0
TOTAL	8

Turnover by Gender	
GENDER	
MALE	6
FEMALE	0
TOTAL	6

(G4.LA1)

Training and Development

This year, the company offered 28 trainings/seminar modules including Simulator Equipment Usage, Fire Fighting Seminar, Loss Control Management and Core Values Seminar. A total of 358 employees attended trainings, with average training hour per employee at 43.71.

TRAINING HOURS	
TRAINING HOURS	HOURS
TOTAL NUMBER OF TRAINING HOURS (Whole Year)	15,649
TOTAL NUMBER OF EMPLOYEES TRAINED	358
AVERAGE TRAINING HOURS per EMPLOYEE	43.71

(G4.LA9)

List of Trainings:

- Situational flowchart; Mining 101
- Security Orientation
- Good laboratory practices
- Sample collection & preparation
- Draft Survey Awareness
- 2014 production & ship loading objective
- Open Pit Mining Strategies
- Maintenance Planning & Scheduling
- Safety in the Laboratory
- Heavy Equipment Orientation Training
- Firefighting Seminar

Advance training course: environmental permits & permitting process

- Loss Control Management
- Core Values Seminar
- "Think Compliance" Managing Head
- Advanced Course on Water Quality
- Port Facility Security Officers
- Procurement Process Seminar
- Oil Spill Management Seminar

(G4.LA5, G4.LA6, G4.LA7)

Health and Safety

The company maintains a Central Safety, Health and Environmental Committee (CSHEC) that not only monitors proper health and safety practices but also approves the Annual Safety and Health Program. Committee members come from the Labor-Management Council, from management and from the workers' union. This committee is made up of 30 employees, 12 Labor-Management Council, 5 management and 13 union officers

The company logged 4,384,404.75 total work hours for the year, with 68 lost days due to reported work-related injuries.

The company also conducts health programs like lectures to educate workers on occupational hygiene, pulmonary TB, heat exhaustion/ heat stroke and other medical conditions to help employees maintain their good health inside and outside the workplace. HMC also conducts fitness programs to promote a non-sedentary lifestyle to its workers. To monitor the health of employees, the company conducts check-ups with sugar blood tests.

Below is the list of medical cases reported for the year. Table of Occupational Diseases and No. of Diagnosed Cases:

Tension Headache

79 Male
24 Female

Gastroenteritis/Diarrhea

83 Male
12 Female

Upper Respiratory Tract Infection/Cough

107 Male
15 Female

Osteoarthritis

11 Male
2 Female

Total Work Hours:
4,384,404

Total Lost Days:
68 (due to work-related injuries)

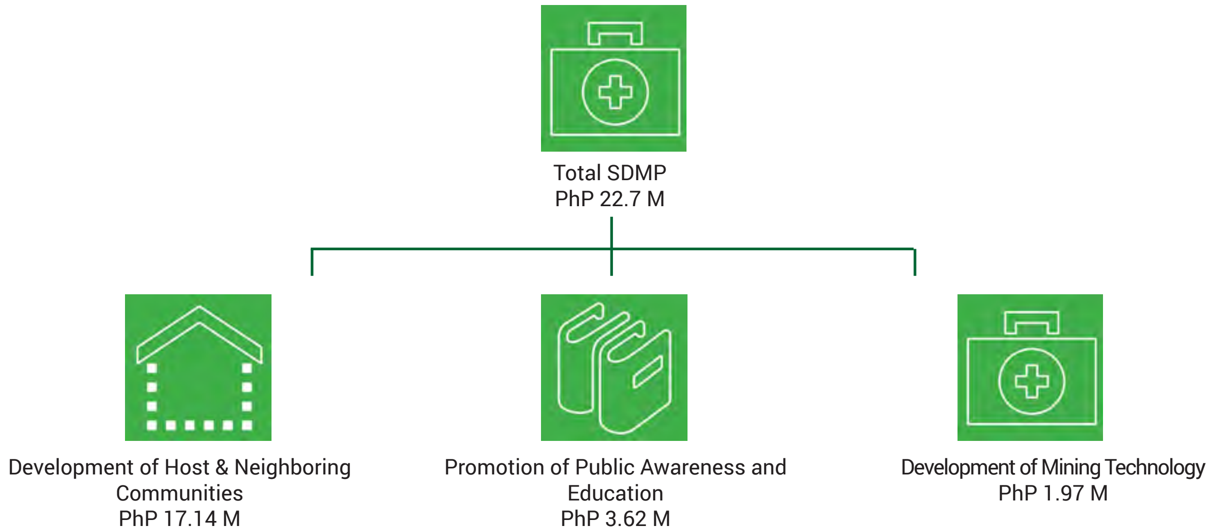
Total CSHEC Members:
30

COMMUNITY PROTECTION

(G4.EC7, G4.EC8, G4.SO1, G4.SO2)

Social Development Management Program

For 2014, HMC spent PhP 22.7M to implement its Social Development Management Program (SDMP). The budget was allocated into three main categories:



Among the major projects completed for the year was the construction of two classrooms for a government Secondary School at Brgy. Talavera. These classrooms are seen to benefit around 228 students every year. HMC also provided school supplies as well as uniforms and school shoes to students enrolled at the public schools of host communities.

Full scholarships for 18 college students with mining-related and non-mining related courses, and 44 technical-vocational students were also provided by the company. HMC also supported the Department of Education's Alternative Learning System (ALS) Program with scholarships for 47 learners under the program. Financial assistance was also extended to daycare, elementary and highschool students bringing the total number of HMC scholars to 1,191 students.

Aside from helping students, HMC also funded the honorarium of seven volunteer teachers and the teachers' subsidy of four ALS teachers and three daycare workers.

This year, the company also supported the local government's program on health and sanitation by providing the materials for the construction of sanitary toilets to 130 indigent households in the community. HMC also provided monthly honorariums to 14 Barangay Health Workers and funded additional skills trainings for them to acquire new skills and improve the quality of health services in the community.

Another important part of the SDMP is its quarterly medical-dental missions -- providing free consultations, medicines and vitamins to around 3,600 patients every year. Aside from this, HMC also helped a total of 163 Senior Citizens and 30 Persons with Disabilities with quarterly care packages which included rice, milk, biscuits, juices, multivitamins, supplements and toiletries.

In terms of livelihood enhancement, HMC chose to support these People's Organizations' (POs) and their various projects: The Botika Mini-Drugstore managed by the Talavera United Women's Association, Passenger Boat Project managed by the Talavera Multi-Purpose Cooperative, Fish Processing Project managed by Campandan Fisherfolks Association (CAMFISA), Tailoring/Dressmaking and Recycling managed by United Fishermen's Association of Bagong Silang and CAMFISA. These various projects are seen to also indirectly benefit more than 3,000 of their community members.

Beyond its annual SDMP, the company also spent about Php7.3M on its Corporate Social Responsibility (CSR) projects for the year that benefited more than 30,000 Surigaonons, including 11 municipal LGUs of the Province of Surigao del Norte.

Notable among its various projects is the donation of a speed boat to the LGU of Tagana-an for emergency response and rescue. This is an essential tool, especially for island barangays accessible only through waterways.

NAC Companies & Subsidiaries

Cagdianao Mining Corporation (CMC)

NAC Ownership 100%
First Commership Shipment 2001
Mineral Production Sharing Agreement up to year 2022
Total area of coverage 697 hectares

Cagdianao Mining Corporation (CMC) operates a 697-hectare mine site in the municipality of Cagdianao, at the northeastern side of the province of Dinagat Islands. The province is within Region XIII (Caraga Region) which is at the upper northeastern part of Mindanao.

Cagdianao has 14 barangays within its 249.48 km2 territory, including CMC's host and neighbors -- Valencia, Boa, Legaspi and Bayanihan. The last government survey of 2010 put the municipality's population at 15,047 The entire island province has been declared a Mineral Reservation since 1939 and is renowned for its abundant mineral content and its ensuing mining industry. At the same time, though, it is noted as a Key Biodiversity Area because of endemic flora and fauna, particularly those found at the northern part of the island in Mt. Redondo and Mt. Cambiliw.

For its part, CMC operates as a responsible neighbor and pro-actively practices sustainable development. It has taken the initiative and has commissioned a third-party consultant to conduct a terrestrial flora and fauna assessment of the Maraguing Watershed in Brgy. Valencia. The watershed is an important resource for the island and it is one of the main sources of water supply for domestic consumption for the site.

The Maraguing Watershed and the Valencia Marine Protected Area are among the areas adopted by the company for protection, together with the host and neighbor communities.

For 2014, CMC reported disturbed area in its MPSA was 123.89 ha, with 573.15 ha undisturbed.

TOTAL REVENUES

Php 3,595.5M
2014

Php 737.9M
2013

NICKEL ORE SOLD

1,350.3 thousand WMT
2014

888.8 thousand WMT
2013

(G4.EN15)

ENVIRONMENTAL PROTECTION

CMC is committed to the principles of sustainable development and recognizes its roles as a steward of the environment. The reforestation program of the company is aimed to increase forest cover of denuded areas. The program also supports the MGB's Mining Forest Program (MFP) and National Greening Program (NGP) of the government. Managing the impact on biodiversity, the environment team has come up with an offsetting strategy on activities associated by mining through the protection of the Maraguing Watershed, in order to improve its habitat and consequently improve the living conditions of flora and fauna.

Currently, CMC does not have any mined-out sites. But much action and planning have already been ongoing to reduce any environmental impact that the company may have in and around its areas of operation.
The company's annual EPEP budget amounted to Php 14.48M and was directed for its programs on land, air and water protection.

TOTAL EPEP EXPENDITURE

Php 14.5M
2014

Php 23.0M
2013

(G4.EN11, G4.EN12, G4.EN13)

Land Protection

Although the company does not have any declared mined out areas, CMC has implemented reforestation projects within its MPSA area as well as outside. Showcasing the growing success of these projects are plantations of agoho that have increasing ecological role in the area as many trees have now matured and are bearing fruit.

The Reforestation Program uses endemic trees such as agoho, magkuno, sagimsim, bitanghol, wakatan. The company maintains its own nursery to cultivate and propagate around 60,000 seedlings a year in order to fulfill needs of its own reforestation projects and contribute to schools, LGUs, DENR and other government agencies with tree planting initiatives.

This year, it added another 5.08 hectares to the plantation, using 5,656 seedlings, bringing the total plantation area of end 2014 to 95.59 hectares. The company monitors the growth and survival of the seedlings planted, re-planting when needed, and uses organic fertilizer from its vermi-compost project to improve survival rates which has reached 88% for the year.

The company also supports the government's various initiatives such as the National Greening Program, the Carbon Sink Program, and the "Adopt a Mountain, Adopt a Forest". For 2014, its NGP target was 45 hectares and AMAF target was 4 hectares. To date, a total of 273 hectares have been used for these planting activities.

In 2014, results of the Terrestrial Flora and Fauna Assessment of Maraguing Watershed commissioned by CMC from a third-party consultant were reported. The data on this 50-hectare elongated watershed at the southwest of its MPSA will help the company design appropriate and effective protection programs.

CMC had always considered this microwater shed an important resource base as it is one of the main water sources of its operation and domestic use. Current data now shows that it is also an important area for conservation and biodiversity as it is home to threatened and endangered species. The company is working with its host community to find ways of restricting destructive community activities inside the watershed.

Air Protection

The company employed a variety of strategies to minimize the generation of dust and keep the air safe for its workers and its neighboring communities. It used four water lorries for regular spraying of all haulage areas, including barangay roads; It conducted periodic road matting and grading of haulage areas; It planted trees at barangay roadsides and mine access road to act as dust barriers; and it constantly monitored ambient air in the area using a High Volume Sampler.

The monitoring data from four monitoring stations (Valencia National High School, CMC admin compound, CMC wharf, and minepit parking area) shows that the company has been able to maintain air quality standards within the range set by the DENR.

Table of Ambient Air monthly monitoring (highest results) in µg/NCM

JANUARY	25.47
FEBRUARY	30.93
MARCH	33.69
APRIL	35.2
MAY	65.58
JUNE	72.91
JULY	128.68
AUGUST	70.53
SEPTEMBER	81.71
OCTOBER	76.71
NOVEMBER	32.86
DECEMBER	_

DENR standard is set at 230µg/NCM.

Total Rehabilitation

5.08 ha.
Area Rehabilitated

5,656
Seedlings Planted

(G4.EN8, G4.EN9, G4.EN22)

Water Protection

CMC mining operations entail only extraction and shiploading, with no mineral processing being undertaken, so it does not discharge wastewater into the ecosystem. Water consumption for the year totaled 33,050 m^3, drawn from spring water sources at Pinagbahan area and the Maraguing watershed.

The concern of the company in protecting the water resources is mainly managing the run-off to help mitigate the risk of siltation to downstream areas.

In safeguarding the downstream areas, the company maintains 11 settling ponds at strategic points, with total volume capacity of over 392,800 m^3. This year, it has removed over 38,384 m^3 of silt from the settling ponds.

Continuous improvement of silt collector sumps, drainage systems and diversion ditch systems throughout the year helped control and re-direct surface and rainfall run-off to the settling ponds. Meanwhile, slope stabilization (or benching) on the steep slope areas helped control erosion.

Regular and periodic water monitoring done at the 14 downstream testing stations showed that the company has been successful in keeping water quality within standards set by the DENR.

Table of Water Quality(TSS) monthly monitoring (highest results) in mg/L

JANUARY	_
FEBRUARY	21.2
MARCH	29.4
APRIL	18.4
MAY	33.2
JUNE	21.2
JULY	128.68
AUGUST	29
SEPTEMBER	25.6
OCTOBER	76.71
NOVEMBER	20
DECEMBER	_

DENR Standard ranges from 68.3 – 167.8 mg/L

CMC also helped protect the marine sanctuary at its coastal area through logistical and financial support for the BantayDagat program of the LGU and DENR.

(G4.EN3)

Energy Consumption

With its 11 generator sets, CMC generates its own electricity to power the entire operations of the mine site in the island.

It used a total 7,871 L of gasoline and 2,168,292.30 L of diesel for transportation, production and electric generation. Total electricity generated for the year was 693,674.65 kWh.

	2014	2013
Electricity Consumption (MWh)	693	817
Fuel Consumption by Gensets (Ltrs)	2,168,292	1,880,000

Diesel Used by Gensets

2,168,292 liters
2014

Electricity Consumption

693 MWh
2014

817 MWh
2013

Water Consumption

33,050 cu. m

(G4.EN23)

Waste Management

The company's Waste Management System for both mine camp and mine pits makes use of a Material Recovery Facility (MRF) to maximize the company's ability to segregate and recycle resources.

In 2014, Solid Waste collected from campsite was a total 360m3 of which only 25% went to sanitary landfills, while 28% were stored at MRF and 47% were compostable materials. CMC has therefore attained a 75% recycling performance. An estimate 1.5 tons of resaleable materials has been approved for sale to an accredited buyer.

On the other hand, waste generated by mining operations totaled 1,260,662 WMT of overburden and waste rock. This is stockpiled for future use such as for backfilling of mined-out areas, filling of haul roads, causeways, and silt pond structures.

All hazardous waste materials such as used oil, lubricants, tires and batteries are properly stored and inventoried in the MRF. CMC has installed an oil and water separator for proper handling of used liquids before storage in the MRF and eventual disposal. In 2014, the company disposed a total of 126 drums of used oil (25,200 L) and 461 pieces of used tires to a DENR-accredited transporter/treater Wave Industrial Sales Inc. located in Panabo City, Davao del Norte.

There were no major oil spillages for the year and the company has introduced enhanced procedures in material transport to the MRF to emphasize its policy of zero tolerance for oil spillages.

Total Waste Generated:

25%
sanitary landfill

28%
stored in MRF

47%
compostable material

75%
recycling rate

1,260,662 WMT
overburden and waste rock

SOCIAL EMPOWERMENT

Employee Relations and Diversity

Over the year of 2014, CMC employed an average 603 personnel with peak of 926 employees for August and lowest for March at 279 employees. The average full time workforce of 174 are direct hires of the company, 76% of whom are local hires from the provinces of Dinagat Islands and Surigao del Norte.Majority of these are male and only about 10% of regular workforce are female. In terms of age, around 56% are between 30-50 years old, 29% above 50, and the rest are under 30. Of the regular employees, 76.52% are covered by the existing collective bargaining agreement with the employees' union CAMWU-NAFLU-KMU.

(G4.LA12)

EMPLOYEE BREAKDOWN

GENDER	REGULAR/ PROBATIONARY	CONTRACTUAL	PROJECT-BASED	TOTAL WORKFORCE
MALE	156	0	0	156
FEMALE	18	0	0	18
TOTAL	174	0	0	174

By Position Level and Gender

GENDER	SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
MALE	2	6	25	22	101	156
FEMALE	0	1	8	9	0	18
TOTAL	2	7	33	31	101	174

By Position Level and Age Group

AGE GROUP	SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	TOTAL
Over 50 years old	2	4	3	7	34	50
30-50 years old	0	3	15	15	65	98
Under 30 years old	0	0	15	9	2	26
TOTAL	2	7	33	31	101	174

By Age Group & Gender

GENDER	UNDER 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD
MALE	16	90	50
FEMALE	10	8	0
TOTAL	26	98	50

(G4EC6)

CONTRIBUTION TO LOCAL EMPLOYMENT

SENIOR MANAGEMENT	MANAGERS	SUPERVISORS	CONFIDENTIAL	RANK AND FILE	CONTRACTUALS	TOTAL
0	0	12	26	95	0	133

EMPLOYEES UNDER COLLECTIVE BARGAINING AGREEMENT

TRAINING HOURS	HOURS
TOTAL NUMBER OF EMPLOYEES	132
EMPLOYEES UNDER CBA (Employees' Union)	101
PERCENTAGE (of employees under CBA)	76.52%

In line with its CBA with the workers' union, CMC offers a merit-based annual scholarship grant for employees' dependents who are entering college or who are already attending university in a 4- or 5-year mining-related course. The scholarship is limited to ten slots per semester (total of 20 students a year) and a screening committee is responsible for giving final approval. Scholars have to maintain good grades to qualify for renewal of grant the next year.

Another policy of note was institutionalized this year: In cooperation with the programs of Department of Labor and Employment Caraga Region, CMC has made it a declared policy of being a Child-Labor Free Workplace and does not employ anyone below 18-years old.

NEW HIRES BY GENDER

MALE	14
FEMALE	6
TOTAL	20

TURNOVER BY GENDER (G4.LA1)

MALE	29
FEMALE	2
TOTAL	31

(G4.LA9)

Training and Development

In pursuit of continuous employee development and skills enhancement, the company conducted 53 training programs and seminars for its employees that included essential topics such as Basic Occupational Safety and Health (BOSH), Medical First Response, Emergency Response and Preparedness, Environmental Laws, and Climate Change and Global Warming. There were 174 employees who benefited from the programs, with an average 79.0 training hours per employee.

TRAINING HOURS	HOURS
TOTAL NUMBER OF TRAINING HOURS (Whole Year)	13,745.35
TOTAL NUMBER OF EMPLOYEES TRAINED	174
AVERAGE TRAINING HOURS per EMPLOYEE	79.00

List of Stationary / Mobile Heavy Eqipment used

Backhoe Excavators (TX)
14 units

Bulldozer
08 units

WheelLoader
06 units

Road Grader
02 units

Vibratory Roller
02 units

Mining Operations Department

Mobile Crusher
01 unit

Crane Truck / Boom Truck
01 unit

Environmental Department (Mining / MEPEO)

Backhoe Excavators (TX) – Long Arm
01 unit

Water Truck
04 units

Garbage Truck
01 unit

All Departments (Auxiliary Equipment)

Dump Truck
46 units

Fuel Truck
02 units

Service Truck
07 units

Service Vehicle
07 units

Service Vehicle (SLO)
03 units

Genset
08 units

Lube Truck
02 units

Welding Machine
06 units

Power Light
05 units

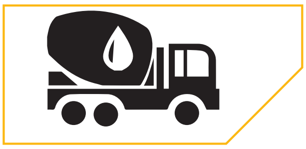
Exploration Department

Drilling Equipment (Boring Machine)
11 units

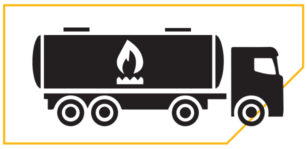
Mechanical Department

Pump Boat
05 units

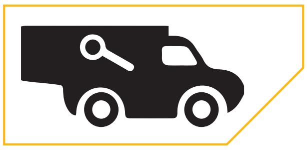
Contractors Department



Water Truck
01 unit



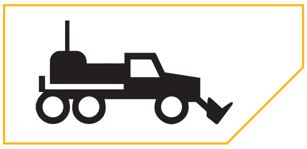
Fuel Truck
01 unit



Service Truck
02 units

Dump Truck
14 units

Back Hoe
03 units



Bulldozer
02 units

WheelLoader
02 units

Total Man Hours

1,803,871.58

(G4.LA5, G4.LA6, G4.LA7)

Health and Safety

CMC maintains a Central Safety and Health Committee (CSHC) composed of 22 employees representing all departments, including contractors which form 4% of the total workforce. The committee works to ensure that the company is able to provide a safe and healthy workplace to its people by being involved in creating the annual Safety and Health Program. The program includes training and education for employees to understand health and safety hazards and for them to know how to protect themselves and others.

As such, although there was a total of 63 Non-Lost Time Accidents (NLTA) recorded in 2014, there was no Lost-Time Related Accident (LTA) and no Lost Days acquired. CMC has 34.92 rate of incidence for the year (based on the MGB incidence rate computation) for its total 1,803,871.58 manhours completed.

CSHC Committee members

22

Non Lost Time Accident

63

Lost Time Related Accident

0

Lost Days

0

Incidence Rate

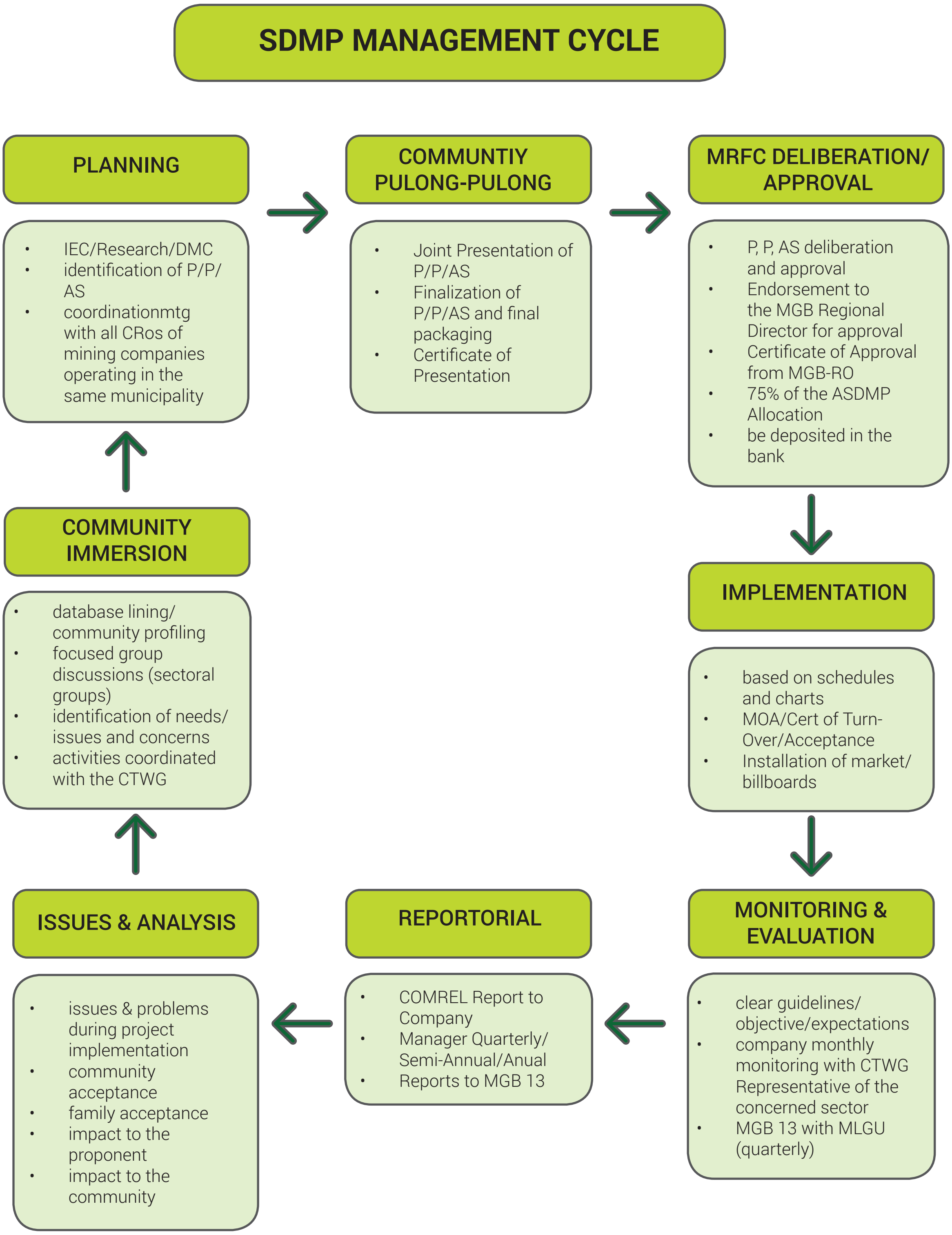
34.92

COMMUNITY PROTECTION

(G4.EC7, G4.EC8, G4.LA7, G4.SO1, G4.SO2)

Social Development and Management Program

2014 was the 4th year in CMC's 5-year Social Development Management Program (SDMP). Its budget for the year was PhP 11.2 M with allocations for the development of host and neighboring communities, the promotion of public awareness and education on mining technologies and geosciences, as well as for the development of mining technology and geosciences.



In the identification of these programs, baseline data gathering, immersions and community consultations were first conducted in order to properly identify the priority needs of the people, which will then be further evaluated and agreed by the members of the Community Technical Working Group (CTWG). The CTWG is composed of representatives from the different sectors of the community such as the church, schools, people's organizations, LGUs and health units. The identified programs were then presented to and deliberated by the Mine Rehabilitation Fund Committee (MRFC), which then gave final approval for the entire SDMP.

Approved projects included provisions for health centers (supplies, medicines, and staff allowances), school rooms and day care center improvements, teacher subsidies for 18 teachers and 3 daycare staff, scholarships and financial assistance to students (18 college scholars), and contributions to five schools. Livelihood initiatives included a "Bigasan Store" for the women's association, TESDA trainings on food processing, as well as poultry and tilapia projects for the fisherfolks.

During the implementation phase, the CTWG also takes part in the monthly monitoring and inspection of programs and projects, as well as participates in the quarterly evaluation. Every quarter, an information campaign is conducted in each barangay. This is to give updates to the general assembly the current status of the said programs and projects, and at the same time a venue for consultations with regards to the related impacts of the implementation.

The SDMP provides equal opportunities and extends equal privileges to all ages and groups. In fact, TESDA training for lady drivers was initiated to provide equal, and new, opportunities for women.

SDMP Expenditure

Php 11.2M
2014

Road Ahead

Sustainable growth is the only way forward. The future of our company and the mining industry is intertwined and fundamentally connected to the global pursuit of sustainable development.

As a responsible corporate citizen, NAC is committed to the betterment OF our society and our environment as we grow our business in a sustainable manner. Guided by our values, we aim to further improve our sustainability performance and achieve our targets in all aspects.

In partnership with our stakeholders, we invest in our common future with the same energy and commitment that we put into our pursuit of financial success.

GRI Index G4-32

General Standard Disclosure		Section	Page No.	Remarks	Externally Assured
G4.1	Statement from the senior most decision maker of the organization	Message from the Chairman and President / CEO	2		Yes
G4.2	Description of key impacts, risks and opportunities	Business Risks	19		Yes
G4.3	Name of Organization	About NAC	5		Yes
G4.4	Primary Brands, Products and / or services	Products & Services	14		Yes
G4.5	Location of Organization's Headquarter	Back Cover			Yes
G4.6	Number of countries of operation	Location	13		Yes
G4.7	Nature of ownership and legal form	Corporate Structure	13		Yes
G4.8	Markets Served (Geographic Breakdowns)	Products & Services	15		Yes
G4.9	Scale of Reporting Organization	Group Performance	29		Yes
G4.10	Number of Employees by employment contract	Group Performance	29		Yes
G4.11	Percentage of Employees under collective bargaining	Group Performance	29		Yes
G4.12	Describe Organization's Supply Chain	Supply Chain	18		Yes
G4.13	Report any significant changes in the reporting period			No Changes	Yes
G4.14	Report precautionary approach principle by organization			None	Yes
G4.15	Externally developed EES charter & Principles			None	Yes
G4.16	List of memberships in associations / industry associations				Yes
G4.17	List of entities included in Organization's consolidated financial statement			Same as in Sustainability Report	Yes
G4.18	Explain process for defining report content & aspect boundaries			Reporting on Material Concerns	Yes
G4.19	List all identified material aspects in process of defining report content	Material Issues	27		Yes
G4.20	For each material aspect, report aspect boundary (within)	GRI Content Index Sheet			Yes
G4.21	For each material aspect, report aspect boundary (outside)	GRI Content Index Sheet			Yes

G4.20, G4.21

Category	Aspects	Relevant section	Material concerns	Within organization	Outside organization	Relevance outside the organization
Environment	Energy	Environment Protection	Energy Consumption	Yes		
	Water		Water Quality Management	Yes		
	Biodiversity		Land Rehabilitation & Protection	Yes		
	Geological Risk Assessment		Environmental Risk Management	Yes		
	Solid Waste Management		Mining Waste	Yes	Yes	Proper disposal of waste material
Society	Community Development	Community Protection	Education, Livelihood, Health	Yes		
	Product & Service Labelling	Products & Services	Meet Customer Requirements	Yes		
Labor Practices	Employee Relations	Social Responsibility	Labor Management	Yes	Yes	Ensure that our contract workers implement the similar practices
	Health & Safety		Employee Safety	Yes	Yes	Ensure safety of contractual workers
	Collective Bargaining		Freedom to union	Yes		
	Human Rights		Child Labor	Yes	Yes	Ensure that our supplier practice No Child Labor Policy
Economic	Financial Growth	Economic Responsibility	Higher Revenues	Yes		

General Standard Disclosure		Section	Page No.	Remarks	Externally Assured
G4.22	Any statements from previous report has been restated & reason for restatement			None	Yes
G4.23	Significant changes in Scope & Aspect boundaries from previous reporting period			None	Yes
G4.24	List of all stakeholder groups engaged by organization	Stakeholder Management	26		Yes
G4.25	Report basis for identification and selection of stakeholders	Stakeholder Management	26		Yes
G4.26	Organization's approach to stakeholder engagement	Stakeholder Management	26		Yes
G4.27	Key topics & concerns raised through stakeholder engagement	Stakeholder Management	26		Yes
G4.28	Reporting Period for information provided	About the Report	IFC		Yes
G4.29	Date of most previous report	About the Report	IFC		Yes
G4.30	Reporting Cycle	About the Report	IFC		Yes
G4.31	Contact point for questions	Contact Us			Yes
G4.32	GRI Content Index Sheet	GRI Content Index Sheet	95		Yes
G4.33	Policy / practice of seeking External Assurance	Assurance Statement	100		Yes
G4.34	Governance Structure of the Organization – committees	Board Committees	10		Yes
G4.35	Process for delegating authority for EES topics from highest governance body to Senior executives & employees			In process	
G4.36	Has organization appointed an executive level position with EES responsibility			In process	
G4.37	Report process for consultation between stakeholders and highest governance body			2014 Annual Report	
G4.38	Composition of highest governance body and its committee	Board Committees	10		Yes
G4.39	Report weather chair of highest governance body is also and executive officer	Corporate Governance	8		Yes
G4.40	Nomination & selection process for highest governance body and its committees	Nomination Committee	10		Yes
G4.41	Process in place to avoid conflict of interest at workplace			2014 Annual Report	
G4.42	Role of highest governance body in developing and approving Values, mission, strategies, policies & goals			2014 Annual Report	
G4.43	Measures taken to enhance collective knowledge of governance body on EES topics			In Process	
G4.44	Process for evaluation of highest governance body performance and actions taken in response to evaluation			2014 Annual Report	
G4.45	Role of highest governance body in identifying EES risks, impacts & opportunities			2014 Annual Report	
G4.46	Role of highest governance body in reviewing effectiveness of Risk Management process for EES	Corporate Governance	8		Yes
G4.47	Frequency of review of EES risks, impacts & opportunities	Business Risks	19		Yes
G4.48	Highest committee or position that formally reviews and approves SR			President / CEO	Yes
G4.49	Process for communicating critical concerns			2014 Annual Report	
G4.50	Nature and quantity of critical concerns communicated			Confidential	
G4.51	Remuneration policy of highest governance body			2014 Annual Report	
G4.52	Process for determining remuneration			2014 Annual Report	
G4.53	How stakeholder views & thoughts are accounted on remuneration			Confidential	
G4.54	Ratio of total annual compensation of highest paid individual to median annual total compensation			Confidential	
G4.55	Ratio of percentage increase of annual total compensation for highest paid and median paid			Confidential	
G4.56	Organization's values, principles, standards and norms	Corporate Objective	7		Yes

G4.57	Internal / external mechanism for seeking advice on ethical and lawful behavior related to integrity – such as helplines			Through Phonelines	
G4.58	Internal / external mechanism for reporting concerns about unethical or unlawful behavior related to integrity – such as helplines			Through Phonelines	

Specific Disclosure		**Section**	**Page No.**	**Remarks**	**Externally Assured**
Economic					
G4-EC1	Direct Economic values generated & distributed, including revenues and other costs	Group Performance	28		Yes
G4-EC2	Financial implications and other risks due to climate change			None	Yes
G4-EC5	Range of ratio of standard entry level wage compared to minimum wage of operation at significant locations of operation	Employee Relation & Diversity	47		Yes
G4-EC6	Proportion of Senior Management hired from local community at significant location	Employee Relation & Diversity	47, 61, 77,87		Yes
G4-EC7	Impact of infrastructure investments & services	Community Protection	50,64,79,90		Yes
G4-EC8	Indirect economic impacts	Community Protection	50,64,79,90		Yes
Environmental					
G4-EN3	Energy Consumption Within the organization	Energy Consumption	45,59,74,84		Yes
G4-EN8	Total Water Withdrawal by Source	Water Protection	44,75,84		Yes
G4-EN9	Significant affect on water sources caused due to withdrawal	Water Protection	44,75,84		Yes
G4-EN11	Location & Size of Land owned, leased adjacent to protected areas and areas of high biodiversity	Land Protection	43,55,73,83		Yes
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity	Land Protection	43,55,73,83		Yes
G4-EN13	Habitats Protected or restored	Land Protection	43,55,73,83		Yes
G4-EN15	Direct GHG Emissions by Weight (Scope 1)	Energy Consumption	45,59,74		Yes
G4-EN16	Energy indirect GHG Emissions by weight (Scope 2)	Energy Consumption	45,59,74		Yes
G4-EN22	Total Water Discharge by Quality & Destination	Water Protection	44,58,75,89		Yes
G4-EN23	Total Weight of waste by type and disposal method	Waste Management	45,59,75,85		Yes
G4-EN24	Total number and volume of significant spills			None	Yes
G4-EN25	Percentage of hazardous waste imported of exported			None	Yes
G4-EN26	Identify status & value of protected water bodies	Water Protection	44		Yes
G4-EN27	Extent of impact mitigation of environmental impacts of products / services	Sustainability Paradigm	34		Yes
G4-EN28	Percentage of products sold and their packaging material			We don't use packaging material	Yes
G4-EN29	Monetary value of significance fines due to non-compliance with environmental laws and regulations			None	Yes
G4-EN31	Total environmental protection expenditures and investment by type	Environment Protection	42,54,72,82		Yes
G4-EN34	Number of grievances about environmental impacts filed, addressed & resolved through formal grievance mechanisms			None	Yes
Social					
G4-LA1	Total number & rate of employee turnover by age group, gender & region	Employee Relation & Diversity	47,61,77,87		Yes
G4-LA2	Benefits provided to full time employees that are not provided to temporary or part time employees				Yes
G4-LA3	Return to work and retention rates after parental leave by gender			All the employees returned to work after completing their parental leave	Yes
G4-LA4	Minimum notice periods for operational changes			30 days	Yes

G4-LA5	Percentage of total workforce represented in health and safety committee	Health & Safety	48,62,78,89		Yes
G4-LA6	Rates & type of injury, occupational diseases, fatalities by region	Health & Safety	48,62,78,89		Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Health & Safety	48,62,78,89		Yes
G4-LA 8	Health & Safety topics covered in formal agreement with trade unions	Health & Safety	62		Yes
G4-LA9	Average hours of training per year per employee by employee category	Training & Development	47,61,77,87		Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews			All employees have undergone performance review in 2014	Yes
G4-LA12	Composition of governance bodies and employees according to gender, age group, minority group and other diversity indicators	Employee Breakdown	46,60,76,86		Yes
G4-LA13	Ratio of basic salary of men to women by employee category			We do not differentiate by gender	Yes
G4-LA16	Number of grievances about labor practices filed, addressed & resolved			None	Yes
G4-HR3	Total number of incidents of discrimination and actions taken			None	Yes
G4-HR4	Operations Identified in which Right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights			As defined under the CBA guidelines of the respective mines	Yes
G4-HR5	Operations & suppliers identified as having significant risk for incidents of child labor and measure taken to abolish it			None, we implement strict "No Child Labor" Policy	Yes
G4-HR6	Operations & suppliers identified as having significant risk for incidents of forced labor and measure taken to abolish it			None	Yes
G4-HR7	Percentage of security personal trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations			We conduct regular trainings annually for all our security personal which includes module on Human Rights protection	Yes
G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken			None	Yes
G4-HR12	Number of grievances about human rights impacts filed, addressed & resolved through formal grievance mechanisms			None	Yes
G4-SO1	Percentage of operations with implemented local community engagement, impact, assessments and developing programs	Community Protection	50,64,79,90		Yes
G4-SO2	Operations with significant actual & negative impact on local community	Community Protection	50,64,79,90		Yes
G4-SO3	Percentage & total number of operations analyzed for risk related to corruption and risk identified			None	Yes
G4-SO4	Communication & training on anti-corruption policies & procedures			During new employees orientation, we communicate about Anti-Corruption policy of the company to all employees	Yes
G4-SO5	Confirmed incidents of corruption & actions taken			None	Yes
G4-SO7	Total number of legal actions for anti- competitive behavior, anti-trust and monopoly practices & their outcomes			None	Yes
G4-SO8	Monetary Value of significant fines for non-compliance with laws & regulations			None	Yes
G4-PR3	Product & Service information labeling	Products & Services	14		Yes
G4-PR6	Sale of banned or disputed products			None of our products are banned	Yes
G4-PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data			None	Yes
G4-PR9	Significant fines for non-compliance with laws & regulations concerning the use of products & services			None	Yes

ecci
Driving Excellence. Delivering Results

Independent Assurance Statement

Introduction

ECC International (ECCI) has been engaged by the management of Nickel Asia Corporation (Company) to provide an independent assurance of its 2014 Annual Sustainability Report. The intended users of this assurance statement are the management and all other key stakeholders of the company.

Scope of Work

The assurance was planned and conducted in line with the requirements of the international standard AA 1000 AS. We performed a Type II, Moderate Level of Assurance and evaluated the Company's Sustainability Performance based on its 2014 Annual Sustainability Report and other information/data made available by the company for the reporting period from January 01st, 2014 to December 31st 2014 with respect to:

- AA 1000 APS Standard– Principles of Materiality, Inclusivity and Responsiveness
- Global Reporting Initiative (GRI) G4 Guidelines

Assurance Procedure

We performed assurance based on our methodology which is built on our professional experience and international standards for assurance. We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance conclusions.

We used the GRI Quality of Information Principles to evaluate the performance data together with the company's data protocols for how the sustainability performance data is measured, recorded and reported. This formed the basis of the Reporting Criteria for undertaking our assurance work. In doing so, we have:

- Reviewed the company's approach to stakeholder engagement.
- Review of the company's Environment, Economic & Social (EES) policies, plans and practices
- Reviewed the consistency of data/information within the report as well between the report and the original source
- Conducted interviews/discussions with senior management and decision makers from different functions/minesites of the company
- Performed sample audits on certain data streams to validate the accuracy, completeness and reliability of the data collection, compilation and reporting system

Financial data reported in the 2014 Annual Sustainability Report is taken directly from the independently audited financial statements and the same has not been checked against its source as part of this assurance process.

Adherence to AA1000 Principles

Inclusivity:

Nickel Asia Corporation was found to have a variety of well-managed mechanisms to regularly engage with all their stakeholders frequently. The company considers stakeholder concerns and addresses them through proper channels. This report clearly indicates the various stakeholders the company is involved with and their method of engagement with them.

Materiality:

We reviewed and analyzed the process of defining the material aspects for Nickel Asia Corporation addressed in this report. Nickel Asia Corporation determined its critical area of focus in 2014 with support from all the minesite and is able to report on the identified critical concerns. Identification of critical concerns is based on the company's operations, stakeholder feedback, regulatory requirements, financial viability and social development of the communities and employees. List of critical concerns are reported under the materiality section of the report.

ecci
Driving Excellence. Delivering Results

Responsiveness:

The company has adequate set of policies and guidelines in place to respond to the stakeholder concerns. Some of the key process has been defined in the stakeholder management section of the report. It was also evident that company responds to their stakeholders on a timely basis.

Key Observations & Recommendations

- Nickel Asia Corporation determines its Social programs in consultation with local government and host communities. The Company shall consider now measuring the impact of its social programs conducted in past. This will be beneficial for the company to prioritize the programs based on impact assessment.
- Nickel Asia Corporation measures its sustainability performance individually for each mine site. We suggest making the social and environmental initiatives standard across all the sites.
- Since the Company has a large number of contractual workforce, we suggest the implementing social and environmental initiatives and measuring its progress for the critical suppliers shall be considered in the future.
- The company shall look for innovative solution for its environmental initiatives more aligned and supporting the social development program providing livelihood for the neighboring communities.
- Nickel Asia Corporation shall develop social and environmental programs to show progress in the identified material concerns in the future.

Conclusion

In our opinion, the company has represented its Sustainability Performance in the report for the year 2014 in a fair and balanced manner and meets the requirement of Type-2, Moderate level of assurance. Nothing has come to our attention which is different to what is disclosed in this report. The Company follows the regulatory requirements of the Philippines and the disclosures in this sustainability report are verified from such regulatory reports. This report adheres to the AA1000 principles of Materiality, Inclusiveness and Responsiveness.

The reporting principles for defining the report content and quality are followed and are in line with the GRI G4 Guidelines. The sustainability report is "in accordance with Core" level of the guidelines.

All the Standard disclosure and Performance Indicators related to the SDMP & EPEP have been externally assured and the credibility of the data disclosed has been verified.

Responsibilities

The Preparation, Presentation and Content of the Nickel Asia Corporation's 2014 Annual Sustainability Report is the sole responsibility of the company. The company is responsible for determining the Sustainability goals & objectives, performance and for establishing and maintaining appropriate data management systems and internal control systems from which the reported information is derived.

Our responsibility is to express an independent conclusion on the company's Sustainability performance disclosed and defined within the scope of work as mentioned above. Our statements represent our independent opinion and intended to all stakeholders of the company including its management.

Kama Neson Ganeson
Lead Assurer
ECC International Corp. Philippines

Date – May 20, 2015
Bataraza, Palawan, Taganito, Surigao del Norte

AA1000
Licensed Assurance Provider
000-155

CORPORATE DIRECTORY

Address:

Head Office
28th Floor NAC Tower Bldg., 32nd Street
Bonifacio Global City, Fort Bonifacio
Taguig City, Philippines 1634
T: +632 892 6669
F: +632 892 5344

Corporate Website:
www.nickelasia.com

Mine Sites:

Rio Tuba Mine
Barangay Rio Tuba, Bataraza, Palawan

Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

NICKEL ASIA CORP.

28th Floor NAC Tower, 32nd Street,
Bonifacio Global City, Taguig City,
Philippines 1634